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Working as an Independent Contractor

August G. Minke

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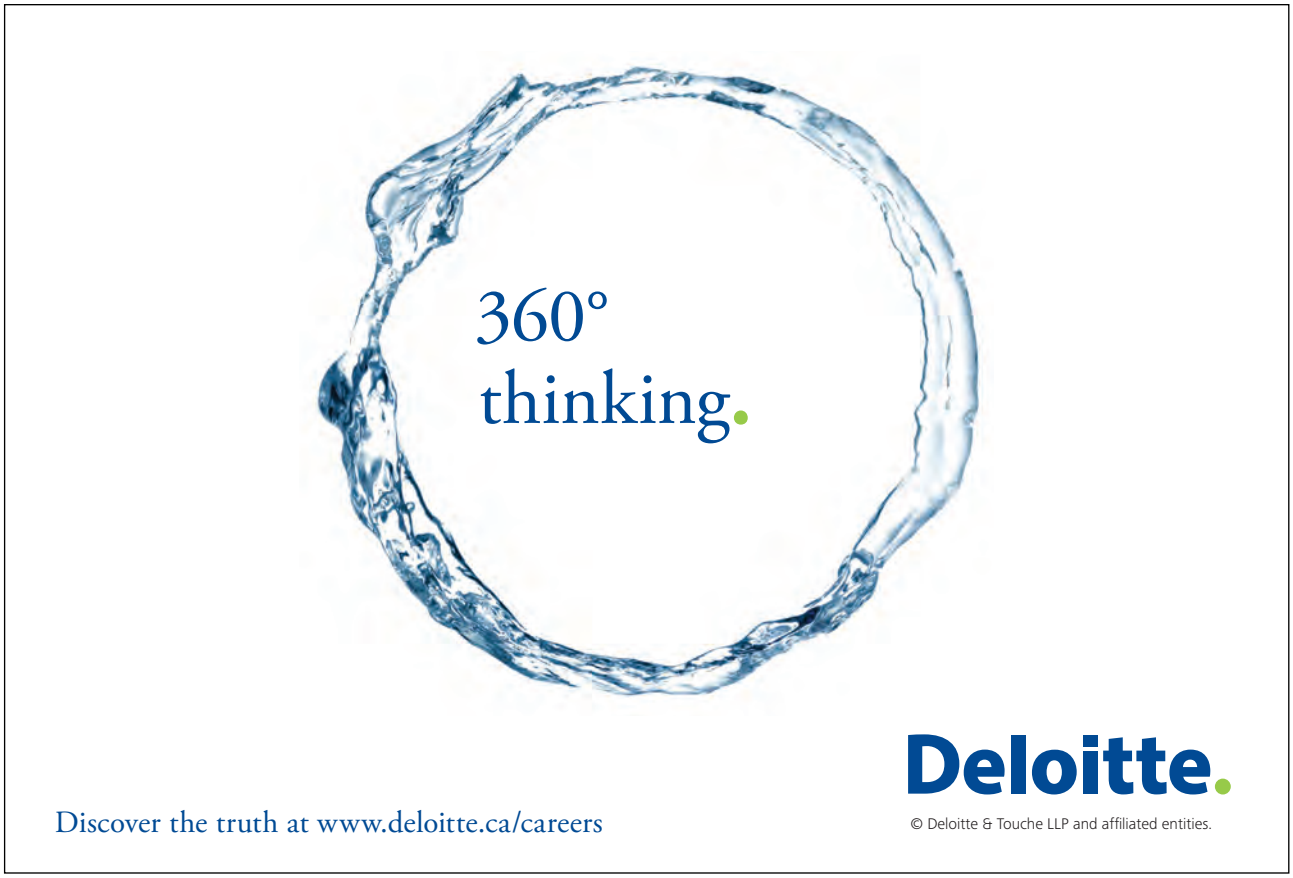

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About the Author

August G. Minke, Esq. has been working as an independent consultant for over 15 years, both in Europe and in the USA. He consults European companies establishing a presence in the United States and U.S. law firms involved in international litigation. He also trains corporate expatriates on successfully conducting business abroad, provides cultural and linguistic services to contractors in the film industry and lectures on cross-cultural topics.

Mr. Minke holds advanced law degrees from Universiteit Utrecht in the Netherlands and from Pace University in the USA. He is fluent in English, Dutch, German and French and has authored several books on working abroad in English and Dutch.

Before becoming an independent consultant Mr. Minke has worked as in-house lawyer and business manager in the Netherlands, Belgium and Germany, as well as in New York. He currently operates from Newport Beach, California.

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Introduction

There are many reasons why someone wants to be self-employed and be his own boss. Perhaps you see it as a primary or secondary source of income. You may want to pass your experience, information, craft or knowledge on to others. Some people aren't in it for the money but merely wish to do good to others, or want to do something useful after retirement. Whatever your reason, your expertise or your drive, there will always be a demand for independent contractors.

An independent contractor can be a consultant providing services, a skilled craftsman, an artist, a developer or a designer, a manufacturer producing goods, etcetera. All offer different types of services. What they have in common is that they work for more than one client outside of an employer-employee relationship, and do so on their own behalf.

This book uses the term "independent contractor" for in essence that is what it is: an independent person to whom work is contracted out. As will be emphasised in this book, independence is key. It is the term that governs your tax status. Being a contractor also reflects that you are, in effect, not your own boss. You serve multiple clients, each with their own requirements, concerns, and demands. You do that on your own.

Organisations that hire independent contractors include businesses of all sizes, government institutions, individuals; in short anybody who has temporary or recurring needs but is not willing or able to hire regular employees for the purpose. Whatever a client's reason is for outsourcing to an independent contractor, it always pays to know why you are hired.

Possessing the necessary skills to offer your product, whether it is a service or they are goods, is of course essential, but the continuity of your business requires far more than that. At some moment every project comes to an end, every order will be fulfilled. You need to actively pursue new projects and clients at all times. A successful independent contractor is equally good at selling his product, at effectively communicating with prospective and existing clients, and at maintaining a proper administration, as well as at his actual work. You must either possess some of these qualities yourself or hire others to perform the activities and duties for you. The latter allows you to free up direly needed time to focus on the aspects of the business at which you are good.

This book serves as a guideline to start and care for your business as an independent contractor.

The author is an active independent contractor with experience in all aspects of the trade. He has worked as a consultant and hired other contractors himself. Originally being trained as a lawyer the author also explains why it is important to have your paperwork in order and maintain a proper administration. In this book the author discusses all aspects of running your business independently and will help you find answers to questions such as how to generate and retain clients, how to plan ahead, set rates, be paid, and much more.

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1 Definition of an Independent Contractor

Before discussing what it entails to be an independent contractor a few words must be spent on who exactly is an independent contractor. An all-encompassing definition of an independent contractor would include a natural person, business, or corporation who works independently, and who provides general or specialised goods or services to others under terms specified in a contract.

That being said, you may truly and rightfully believe that you are independent but the authorities often think otherwise. The reason why this matters is that it affects both your tax status and your social security rights. Therefore, the definition that is most relevant to you is the often complex formula that is maintained by the tax and social security authorities of your jurisdiction, i.e. of the country or state you live and work in.

Most authorities distinguish between employees and independent contractors based on their own interpretation of the word "independent". Note that interpretations vary even within one country. Sometimes the tax department maintains different criteria than the social security authorities. In federally structured countries the rules of one state will be different from the rules in another state, and federal rules can also be different. Even with the same rules in the book the practical implementation can differ per region.

1.1 Misclassifying Independent Contractors

It can't be stressed enough: to be deemed independent contractor independence is key. Generally, clients are liable for proper classification of the contractors they hire. If a client misrepresents an employee as an independent contractor he is liable for back taxes and back social security premiums. He is also subject to heavy fines.

Misclassification also affects the independent contractor. Re-classification as an employee is a mixed blessing. On the one hand, employment rights attach. For instance, termination of an independent contractor who claims to have been an employee can result in a claim for wrongful dismissal. The reclassified employee can also apply to qualify for social security benefits he would otherwise not qualify for. Sometimes a person who has made tax payments based on his earlier independent status can file for a tax credit or refund.

On the other hand a re-classified employee may qualify for a different type of health insurance. This may result in an insurance gap: it is not always clear whether the independent contractor-turned-employee is insured if his status changes whilst he is undergoing medical treatment. If he has a pre-existing medical condition he may be better off keeping the coverage of his private insurance. Where certain insurances are mandatory this could result in having to carry a redundant insurance policy.

In sum, misclassification can involve several parallel administrative procedures and a few uncertainties for the independent contractor. For the client it is generally a costly affair he wants to avert.

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1.2 Tests to Determine Independence

Authorities usually prefer an employment relationship, as that makes it easier to collect taxes and social security premiums. An employer withholds taxes of his employees on behalf of the authorities. It is less easy to collect from each individual independent contractor. Filings are also more difficult to process because individual contractors' incomes are more complex and their tax deductions are more substantial.

For that reason authorities may audit clients who outsource to independent contractors and scrutinise the factors that determine independence. Audits can take place as part of a regular tax audit of either the client or the independent contractor. They can also be triggered by seemingly unrelated events, such as filing an insurance claim for an injury sustained on the job. Audits can take place many years after you have worked for a particular client. In the end these authorities determine your status for the period that you worked for a client.

Where the law is silent about exactly who is or is not an independent contractor, authorities as well as large employers have developed a variety of systems to determine independence. Most often the classification depends on determining who has the right of control. Generally, an employer is considered to have the right to control what work will be done and how it will be done. To be considered independent the client's only concern is the end result, not how and what will be done to achieve it. Independent contractors operate independently, at their own risk, their own expense, and their own time.

1.2.1 Authority Tests

In some countries government institutions provide guidelines. In others, not. Each and every state maintains a different system, even if they are part of a union (such as European countries) or form one federal country (such as the USA).

In the United Kingdom the revenue services maintain an Employment Status Indicator tool to verify employment status. The ESI outcome may serve as evidence of an independent contractor's status if it has been completed by the client, not by the independent contractor himself, and if the responses accurately reflect the terms and conditions under which he provides his services. In Denmark the Commerce and Companies Agency verifies whether the relationship is a legitimate independent business or employment. In France an independent contractor must be entered in the relevant professional register for his type of activities. He must pay social security premiums and sign declarations regarding non-wage earnings activity. Several institutions or accountants can assist.

In the Netherlands, an independent contractor can request the tax office to provide a statement showing whether they treat his activities as that of an employee or of an independent contractor. These "VAR" declarations are valid for one year and issued for one type of activity only, and take between 4 and 8 weeks to deliver. That seems a recurring administrative pain. However, the paperwork may be worth the patience: absent such decision the Dutch authorities assume an employment relationship if you work at least two days per week on one assignment for more than 30 days and earn more than 40% of the minimum wage. A minimum number of annual working hours practically implying that you must work about three to four days per week independently also applies.

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In the USA the determination is more complicated. Several different systems exist, each with their own variations. A few states maintain the Economic Reality Test, which deems workers employees if they are economically dependent on the client. A few other states use the ABC Test. This test requires that, in order to be considered an independent contractor, a worker must meet either two or three out of three criteria, namely control, the usual course of the client's business and whether the contractor is customarily engaged in working independently. A third test is the Common Law Test, variations of which are used in most of the states in the USA. Here, an employment relationship is assumed if the client has the right to direct and control the way duties are performed.

To complicate matters the Internal Revenue Service, which collects federal taxes, maintains its own system, the so-called "20 Factor" test. The factors are based on all three tests mentioned in the previous paragraph, broken down in more detail.

Chart 1 provides an overview of criteria you can use to determine your independence. Broadly speaking, the more items you fulfil, the more you qualify. Note that exceptions often apply.

1.2.2 Client Tests

Not all countries have such elaborate procedures in place, even if they do distinguish between employees and non-employees. To overcome that problem, and at the same time create more certainty about a hired person's status, many large organisations have established approved vendor lists. Independent contractors on these lists have undergone earlier scrutiny and do not require an evaluation, or are subject to periodic confirmation only. The evaluation is part of a compliance file which also includes other documentation supporting the finding that a worker is an independent contractor. The vendor list may also serve other purposes.

The procedures imply that, before becoming an approved or preferred vendor, you will have to supply intimate details of your business, such as the names and contact information of other clients, your annual sales, evolutions of your bank account and more information you might normally not want to provide to third parties.

The criteria described in Chart 1 usually serve as a guideline to determine whether the organisation can safely hire a person as an independent contractor. It is important to realize that the client has drafted its guidelines in its own interest, not in the interest of the persons they may hire. You may be subject to a different jurisdiction if you live in another part of the country, or in a different country, than the client's department that hired you. You should be familiar with the definitions or test maintained by the authorities you yourself are subject to. Here, too, Chart 1 can be of assistance.

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Chart 1: Factors that can determine independence:

The right to control is key. Who has this right can be determined by whether the independent contractor:

- is working for more than one client, as opposed to one employer;
- offers his services to the general public or more than one client, rather than to one employer;
- can make a profit or a loss, instead of receiving guaranteed regular wage or salary payments;
- receives payment upon submitting an invoice, versus receiving regular payroll;
- is paid on an hourly or other time-defined basis, or on a per-project bases, rather than receiving a salary;
- charges VAT or sales tax (where required), or whether the client withholds income tax and social security;
- pays business expenses from his own account, in stead of from an expense account. However, certain expenses can be billed to the client. The contract may stipulate the terms;
- receives benefits. This would indicate an employment relationship;
- is free in determining how to accomplish his task, versus observing instructions. Usually the client is allowed to provide instructions to coordinate an assignment or e.g. quality procedures. Reference to company handbooks indicates employment unless there is a separate chapter pertaining to outside workers;
- is free to determine priorities and work sequence;
- receives project-specific training, or is subject to continuous training similar or equal to that of employees;
- is subject to supervision or not. With independent contractors, the end result prevails;
- is free to work from any location of his own choice, rather than working on-site. Depending on the nature of work and confidentiality of information, working on-site may or may not cast a doubt on independency;
- can determine his own work schedule, as opposed to being bound by fixed working hours. Usually an independent contractor can be required to attend certain meetings for the purpose of the assignment;
- is free to determine the time he uses to fulfil his task, versus having to observe full-time employment hours;
- can hire assistants or sub-contractors, or whether personal performance is required. If it is not relevant who actually performs there is hardly an employment relationship;
- bears the risk of his own investment in equipment or facilities, or uses those of the client;
- furnishes his own tools and materials or not. Note that some tools or equipment may necessarily be the client's, such as proprietary software, documents, injection moulds, etc;
- is not, or is, integrated in the business of the client. Being invited to employee functions, corporate outings, internal trainings, etcetera, indicates integration unless this is clearly done on an exceptional basis;
- performs a task that is not within the regular business of the client, versus something that the client's employees do on a regular basis;
- is hired for the duration of the project, or for long-term employment. Indications of a long-term employment relationship often include the issuing of company business cards and carrying a corporate title;
- has a limited duty to report compared to regular employees of the client;
- can be fired by the client, or whether termination depends on the terms of the contract. If firing is possible this indicates an employment relationship;
- can quit or needs to terminate the contract. The possibility of quitting indicates an employment relationship;
- and client both intend the relationship to be on an independent basis. This depends on the independent contractor agreement as well as on the parties' behaviour. For instance, granting a new assignment without amending the contract indicates an employment relationship;
- Custom in trade or industry can also be part of the determination.

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1.3 Legal Exceptions

Sometimes the law decides which employee is considered independent or which independent contractor is considered an employee. A few countries make a clear distinction between businesses and independent contractors.

Special hybrid categories can also be found. For instance, in Austria caretakers of elderly persons qualify as independent but after termination of the contract they enjoy legal benefits as if they had been employees.

1.3.1 Independent Contractors by Law

Certain persons can be independent contractors by law. Here, too, each country sets its own rules and its own exceptions. For instance, in Belgium this category includes commercial trades such as mobile traders, the so-called liberal professions (lawyers, architects, pharmacists, doctors), crafts persons, people working in agriculture, and others. In order to qualify they must maintain a separate bank account for their professional activity and register with the relevant VAT and commercial authorities. In neighbouring Luxemburg being an independent contractor means being a craftsman, trader, industrialist or intellectual who exercises his profession under his own name. In the USA direct sellers and licensed real estate agents, provided that they fulfil certain conditions, are considered independent no matter how their employment relationship is conditioned.

1.3.2 Employees by Law

The law treats some persons who otherwise qualify as independent contractors as employees. Often this involves home workers and temporary employees hired through employment agencies. In the Netherlands this also includes Board members of limited liability companies or corporations. Under certain conditions artists and professional sports persons can also be considered employees. In Peru full-time contractors are deemed employees.

In the USA some laundry, food and beverage delivery drivers are considered statutory employees, i.e. the law treats them as employees. The same applies to certain life insurance sales agents and sales persons of merchandise meant for commercial use or resale.

As always, no regulation is the same, and additional requirements apply.

1.4 Agents

Generally, if a contract allows an independent contractor to represent his client, the contractor is called an agent and the client a principal. The agent may still be an independent contractor. Agency laws of most countries mainly pertain to representation and liability issues that are particular to the (real or perceived) capacity of the agent to legally bind a third party. Here, too, the right of control is the determining factor to establish independence.

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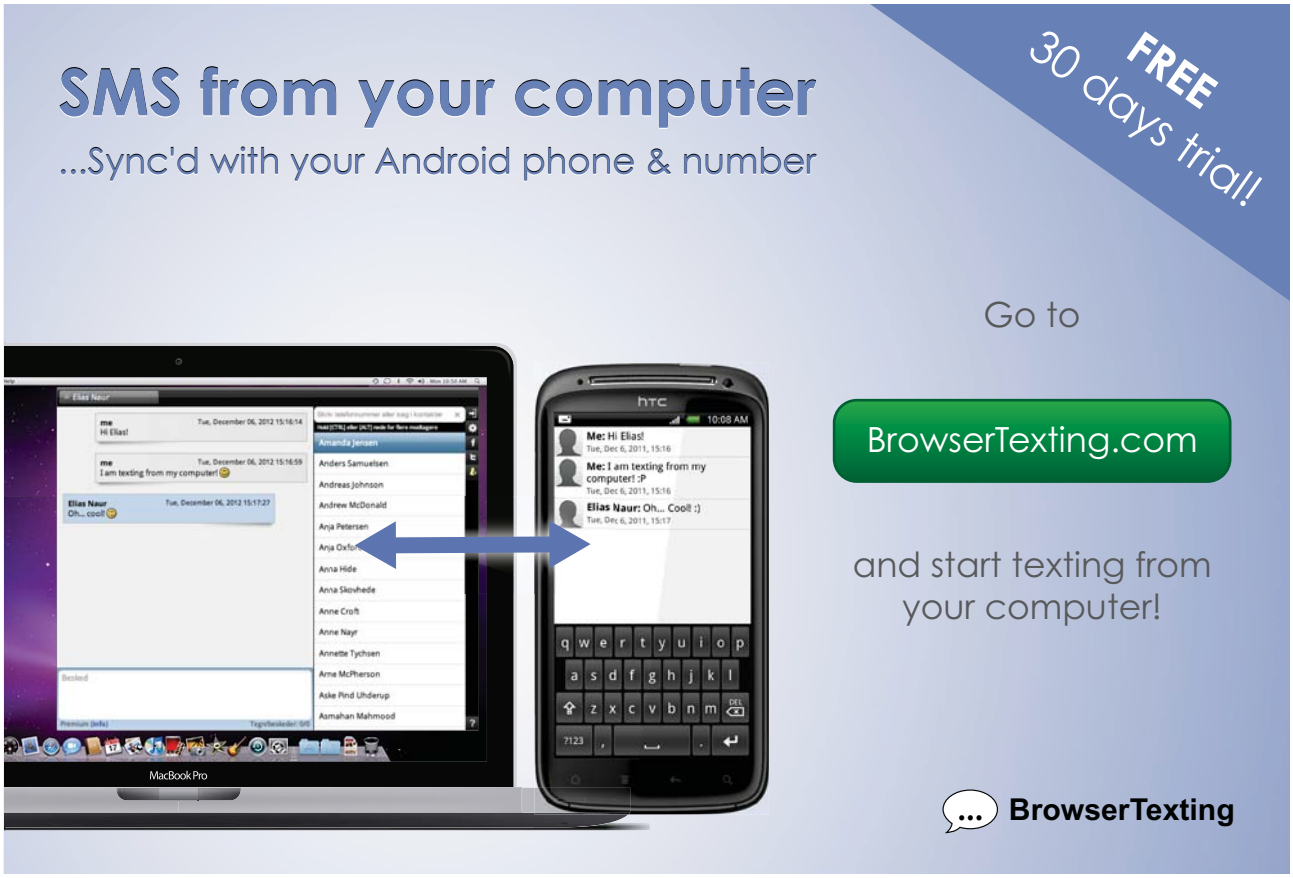
2 Planning Your Business

Now on to business. Working independently encompasses more than providing the goods or services you specialise in. Many people aspire to become "their own boss" and expect that they will be able to determine their own working hours. That will not always be the case. You are responsible for acquiring and nurturing clients, for obtaining the necessary permits and licenses, sending offers and proposals, determine pricing, sending and collecting invoices, paying bills, arranging financing, paying taxes, providing customer support, information technology and communications. In practice, being independent means that you will spend half of the time running your business and half of the time meeting other people's needs.

Getting clients takes time. Networking will not yield results unless you are being seen by the same group of people on a regular basis. Deadlines loom. And then there is that thing many independent spirits dread: proper administration. In short, everything any business does has to be done by you, without the benefit of scale. You have to either do those things yourself or generate sufficient income to pay others to do it for you. You need to be able to motivate yourself. The best way to do this is to develop a routine. An efficient morning routine sets the tone for the rest of the day.



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Prepare yourself for the task at hand. Create a separate space where you can work effectively without being interrupted. Think of a catching description of the product you will offer and of the rewards that this will reap. Draft a business plan, including financials, not necessarily to obtain financing but mainly to verify whether your business proposition can generate enough income to meet your personal financial needs. Planning your business is a little time consuming but it will save time and money down the line. If you feel that you have hit a wall you can always resort to the plan for a solution. Once your business is up and running you won't have the time to reflect on anything.

2.1 Determining Your Services or Goods

Before offering your services or goods to the public you must determine what you want to offer, and to whom. That sounds logic, but it requires a thorough self-assessment of your skills, your potential and your limitations. Basically, you make a list of your skills and match it with your expectations. Only after you have determined how you can implement your skills and what you will be offering can you begin to define your target group. That in turn will help you determine what you need in terms of marketing and sales, investments, and everything else conducting your business entails.

2.1.1 Your Qualifications

The most important asset an independent contractor has is himself – his knowledge and his expertise. As an employee you would be paid a salary with regular intervals, whereas as an independent contractor you are paid for what comes out of your hands or out of your head. Absent a project or assignment, no income flows in. This implies that you must have particular qualifications that are marketable to meet the needs of your target group, and that you are willing to work hard to meet the requirements of any assignment you will engage in.

Your qualifications not only include your knowledge and education, but also your experience. In some cases that expertise equals the contacts that you are willing to share. In most cases a client will rely on your expertise and expects you to start right away or pick up the thread right where he left off.

2.1.2 Your Other Necessary Skills

Your qualifications alone are not enough. What sets you apart from others in the field are your skills: your talent to bring your qualifications to the benefit of a third party. These skills can be summarised as: implementation of your qualifications, communication, administration, personal skills, and self-motivation.

The technical aspect, implementation of your qualifications, forms the basis of your contracting or "outsorcerer" skills: your ability to produce, manage, advice, research, train, move around in your field. Communication skills begin with the precious gift of being able to listen. You must make sure that you are on the same level and know the client's goals. It further includes all manners in which messages can be conveyed: proper written and oral communications with the client from the initial contact to the confirmation of receipt of payment of the final invoice, and all quotes, meetings, emails, faxes, telephone conferences, reports, questions, comments and concerns in between.

The administrative skills you need to run your business include all things involving time and money: keeping track of day-to-day business operations, responding to Request For Offers, time management and reporting, billing, timely collection, your budget, paying invoices, and keeping books.

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Personal skills are more important for human interaction than many independent contractors, especially when working from a remote office, often realise. Repeat business, subsequent orders from the same client, is crucial to a business. New clients are per definition harder and more costly to get than maintaining existing ones. To keep your existing clients you need to offer more than just your product: you need to be able to comfortably interact with the client on matters beyond the project.

Finally, being self-motivated and self-disciplined gives you an edge over your competitors to timely and satisfactorily deliver your product. Whilst you are responsible, and often personally liable, for your own acts - acts upon which a third party will rely - you will not always receive a pat on the shoulder or other encouragement in the interim. As a result you may sometimes feel distanced from the case or larger process at hand. You are part of the machinery but don't see the machine; you are not always in the loop of most developments. Meeting deadlines or sometimes pacing the work load is your own responsibility.

Self-motivation is also required in your efforts to acquire new clients or create new opportunities. Inherent to any sales job you will face many rejections when selling your product to prospects.

2.1.3 Additional Skills

Blending these skills smoothly is a gift that is of great help to establish a successful independent business. For best results, you should know to translate your expertise to the benefit of others. You will be more successful if you are able to think across disciplines. You may be a good IT person, but applying your skills to a client base of dentists is different than to that of caterers. Not only do they need different types of software for a seemingly similar purpose, they also have different working hours, different expenses, different employees, different billing systems, and different habits.

You need to update your qualifications, which you can do through an array of services such as continuing education programs, memberships of professional organisations, subscriptions to professional magazines, and more. These are often expensive propositions. However, your client or your profession may require certification. Enhancing skills such as your ability to solve problems, time management, self-motivation or any other that you feel you could improve on will pay off in the long run. In order to choose effectively you must be honest with yourself and know your capabilities and limitations. Following a course in something outside of your field that you are sufficiently good at is merely feel-good but not productive. Instead, invest your time and money in something you are less capable at but that provides you and your business an additional benefit. And always prioritise learning about developments in your field.

2.1.4 Independent Contractor as Second Job

Being an independent contractor next to your main job as an employee elsewhere provides you with some income security. It is often seen as a test period to determine whether the independent business is viable. However, it is not a genuine test run. First, you cannot fully commit to your business. It is not possible to focus for the full 100% on either your employment or your independent project. No client with a pressing issue has the time and luxury to wait until you are on a coffee break. Long-term or full-time projects are not available if the client is not assured that you will be around for a long period of time, at various times of the day.

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Another reason that it is not an honest test run is that once you're really on your own you no longer have the safety net from employment. Whether intentional or not, with a safety net your behaviour and comfort zone is different than without.

2.2 Business Plan

A business plan is a guideline for your business in which you spell out what you want to achieve, when you want to achieve it, what you have done so far and what you still need to do to achieve it, what you are willing to do to achieve it, and what finances and other tools you need to achieve it.

Even if you think you don't need a formal business plan with all the whistles and bells, or you don't want to spend the time it involves to draft a full-fledged one, you still need to know how much money you have to earn to cover your expenses, and how you will reasonably achieve that goal.

Perhaps the most important benefit of drafting a business plan is the planning process itself. It offers a unique opportunity to focus on needed and desired activities, their effectiveness and the market before you start a business. It allows you to stand still at and reflect on what you're getting in to, what you can expect, what the market really looks like. It also forces you to look beyond your scope.

A business plan can also serve as a personal guideline to keep track of your activities.

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2.2.1 Types of Business Plans

Different ideas require different plans. Some business plans are purely intended as an internal roadmap to help you focus on the future of your business. Other plans serve to convince external financiers to lend money or to invest in your venture. You can also draft a plan that pertains to one particular product only.

Borrowers are mainly concerned about the business' potentials and the chances that loan will default. Therefore, a business plan for a loan must build a convincing case of your ability to repay the loan. If it is a short-term loan the plan should cover the entire duration of the loan. Investors are concerned about the return on their investment. They want to see how you will make money to pay dividend or increase the value of the investment. In short, both want to see that they will get their money back. Therefore, a business plan with external financing in mind describes, convincingly, why current resources, growth opportunities, and competitive advantage will lead to a high valuation after a certain period of time and how you will successfully run the business.

A business plan is necessary to look ahead but that doesn't mean it is chiselled in stone. Unexpected opportunities may arise, and external factors such as an extremely bad economy or illness can't always be foreseen. Not taking these into account or underestimating such possibilities equals to hiding from reality, but extreme situations do occur. The plan shouldn't be over-optimistic but should be realistic. If in doubt, err on the cautious side.

2.2.2 Business Plan Essentials

To show others, and to remind yourself, how you will successfully run your business a business plan contains the following essential parts:

- Business plans used for seeking external financing typically begin with a table of contents and an executive summary.

- The substantial part of each business plan begins with a description of your business. Here, you describe the goods or services you will offer and the reason why you believe this is a viable proposition. You must explain how you, personally, fit in. Especially when you are seeking substantial external capital you must "write yourself into the plan" lest the business model can be fulfilled without you. You can't do it the other way around – if you start with describing yourself and fit a business around it you end up with a curriculum vitae plus a job wish list attached. You basically have already done that when you determined what service or goods you will offer.

- An overview of whom you will offer your product to and how you will do this. This includes a description of the market for that product, your target group, your competitors, and pricing. Financing business plans require a thorough industry background description as well as a competitor analysis. Later, if and when you are writing a marketing plan you can borrow from this section. Here it will at least include a description of what you will do to reach the stated goals. It will also include an operational plan.

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- An overview of required personal and business or occupational licenses, permits, in short all formalities that are specific to conduct your specific type of activity. It can include a description of use of proprietary or third party intellectual property. If intellectual property issues are part of your business it belongs in the product section. This is followed by an overview of other, more general requirements such as legal entity and registrations, VAT or sales tax registration and fictitious business names.

- A description of your work environment: home office or rented space, necessary insurance, tools and equipment and priorities of what to acquire when.

- Financial projections include start-up cost estimates and cash-flow projection, profit & loss statements, and break-even scenarios. An external business plan includes an overview of "milestones". These are points or moments to in your plan that keep you focused and, once achieved, confirms your progress according to plan.

- If your growth plans foresee a larger operation, a summary of management and other driving forces should also be included.

- Additional materials include brochures and product descriptions, charts, your curriculum vitae if relevant, and other documentation that provides substantially more information than the relevant paragraph in the plan that you deem important enough to share.

2.3 Marketing Plan

Your business plan should include a marketing plan. A marketing plan can also be a separate, stand-alone document, but for small businesses a separate section in the business plan usually suffices.

A marketing plan focuses on the efforts you will undertake to bring your business to market, and to keep it there. It serves to identify methods (both external and internal) that can have a significant impact on future plans of your business and answers questions such as what methods you will use and when, what they will cost and what result they will yield.

A complete marketing plan analyses the market your business will be operating in and provides a statement on your venture's positioning in that market. It then describes the marketing mix you intend to use. For details on marketing tools, see Chapter 5.

For your own benefit, to avoid any misinterpretation a marketing plan must unambiguously state what activities will be undertaken in a clear and simple manner. It should be quantified and show the results of each activity as predictable as possible. This way success can be measured. Without this you will at some point wander off in unsubstantiated marketing efforts, (mis)guided by advertisement sales persons and content providers who will convince you to purchase services which you would not have to buy if you had prepared better. Not that these services are wrong per sé, but without a clear plan marketing and sales quickly become a bottomless money pit. Before you invest in a certain market approach you need to formulate clear goals.

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After you have drafted a marketing plan you need to be prepared to implement it. The plan will serve as a work document that will guide you through your marketing campaigns over the period of the plan. Every addition and every exception to it must be reviewed with the plan in hand in order to determine the desired result. Any lessons learnt can be incorporated in the marketing plan for the next time period. Shifting plans on the go easily results in a timeline following the directions of a butterfly.

2.3.1 Identifying Your Target Group

To establish a marketing plan, you need to know what your client base needs and for what purpose. A client may hire outside assistance for numerous reasons. You can identify potential clients that:

- often have deadlines to meet. In the heat of the moment many clients require extra assistance of independent contractors who can start immediately without much explanation or training;
- face a difficult trajectory that an independent third party can achieve more confidentially;
- face personnel shortage. This does not necessarily have to be seasonal; also in times of massive layoffs clients do have a temporary need for certain expertise but can't hire employees. The need for your expertise may be recurring, however, and you may be able to establish a long-term relationship with the client;
- have temporary lack of production facility or goods;
- lack the expertise in your field;
- need an objective viewpoint;
- want a second opinion. You may be hired to prove or disprove earlier findings;
- want to capitalise on your credibility. A recommendation by a third-party expert can give creditability to a decision, product or project;
- doesn't want to do the task. It may be more cost-effective to outsource the task than to do it in-house, or production capacity may be fully used;
- need to bypass the use of internal channels, either because they want to avoid taking responsibility or to overcome budget restraints;
- want to reach your contacts

Once you have narrowed down what needs you can fulfil you can determine your marketing approach.

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2.3.2 Marketing Plan Essentials

The essential parts in a marketing plan are:

- An overview of your current situation. This is used as a benchmark for the future. Here you provide a short description of the product you offer, the marketing advantages you have and the challenges you face, as well as an overview of what the competition is doing and how that may affect you. You should also include any outside factors that you believe may affect your business during that period. These include, e.g., industry developments, currency exchange, regulation, etc.

- A short description of your target group. If you target consumers you should draft a target group profile based on the demographics (e.g. retirees, tennis players, amateur sportspersons, smartphone users, stamp collectors). If you target businesses, define by category (e.g. hospitals, accountants, realtors). Provide qualifying criteria for each category. Defining the target group goes beyond listing or describing them: you must show that you have a grip on the market and know why they want your product. Just providing a list of groups that you think may be interested in your service without researching their reasons easily results in wishful thinking.

- Identification of your goals. Here, too, a mere description is not adequate. You cannot rely on a plan based on broad statements such as "make 10% profit" or "earn half a million". You should instead quantify your goals, e.g. "increase sale of widgets to the medical profession by 5% in the first quarter, 7% in the second quarter" etc. Keep the goals realistic.

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- A description of your current strategy and other strategies you intend to use. This is the largest part of your marketing plan. Here you provide an overview of the various marketing strategies you intend to use. You assess their related costs and describe how and why you plan to use them. For instance, when planning to participate in trade shows you also send out press releases, invitations and announcements. You include the costs for registration, booth rent and peripheral costs, seminar attendance, marketing material, etc. Conclude by stating why you believe this is a worthwhile proposition, such as industry networking opportunities, building visibility or name recognition, potential press coverage, etc. Keep it short. The most common marketing strategies are elaborated on in Chapter 5.

- Describe each step you intend to make, if possible with a calendar or schedule. This will show that some publications offer different advantages, e.g. a product write-up in an article in return for buying an advertisement. You will find out about special issues that focus on your specific target group, which requires a slightly different approach with different deadlines. Providing copy to the annual electronic discovery issue of a legal industry magazine or the bridal special of a glossy magazine requires more preparation than just submitting material for a regular issue.

- A budget. Translate everything into numbers on a chart and provide a short breakdown of the costs associated with each activity. Costs for developing and upkeeping your web site are a constant. Costs for advertisements are a known factor, based on rate sheets provided by the periodical. Trade shows require careful planning, as registration, booths, marketing material, travel, meals and lodging all come from different providers. Each item needs to be included to show that you considered all expenses.

  The marketing budget also allows you to also easily incorporate the costs in a cash-flow analysis. It also distinguishes between recurring expenses and special events and allows you to keep track of developments over the years.

2.4 Financials Essentials

Several financial tools exist to assist you in running your business, prepare for filings with government agencies such as the tax authorities, and show you whether you make a profit, can pay your bills or whether you are ready to expand or cease your operation. They must be drafted according to the accounting rules of your country. As you rely on them when drafting your financial documents for presentation to the outside world you should review them with your accountant.

2.4.1 Budgets

Unlike receiving a regular salary when you are employed, your income will fluctuate. During busy periods you get paid a lot; during low periods you may operate at a loss. Some of your expenses, however, are fixed and recur on a regular basis. For instance, if you lease office space you must pay monthly rent regardless of your income or activities. You must take this into account and arrange your finances accordingly. You need a budget, both for yourself and for your business.

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A personal budget allows you to keep track of your future personal income and expenses. The essential purpose is to avoid becoming trapped in a situation where you can't scale down your expenses even if you have to. Often, people have unrealistic expectations about the ability to cut costs. In the early stages of setting up an independent business many people truly believe that they can live off a lower income than they are used to. However, fixed costs such as rent, mortgage or insurances cannot easily be reduced. Some cost cutting merely involves postponing expenses. Other costs may be decreased but the effect is seen after a while.

Once you have determined your personal budget you can work on your business' needs. As an independent contractor you incur expenses for operating your business, such as the costs of a computer, office supplies, internet connection, etcetera.

Many methods for creating budgets exist. You can base it on your past spending habits and your current or anticipated debt and current or known future income.

2.4.2 Balance Sheets

A balance sheet is a summary of the financial balances of you business. It provides a snapshot of your business' financial situation on a given date, usually the end of a quarter or a year. The difference between assets and liabilities is known as the capital (or net worth) of your business.

A balance sheet consists of:

- Fixed assets. These are assets and equipment that your company owns for more than one year, such as computers, printers, office equipment, buildings, but also paid deposits (e.g. for rent) and goodwill. For the latter, as well as for any item that you brought in for which no fixed market price exists, you should consult your accountant before putting a value on it. If you own patents they are also listed under fixed assets.

- Current assets. These are assets that will be in your company for less than one year. Think of initial expenses, supplies, stock, accounts receivable or VAT financing. Start-up costs are those expenses you make before establishing your company, such as registration, incorporation, business plan writing, business cards and stationery. Current assets also includes "unforeseen expenses".

- Liabilities. These are funds that you borrowed from third parties, such as banks or suppliers. A distinction is made between short term and long term liabilities. Examples of short term liabilities include overdraft from your bank account, suppliers' credit and due taxes. Long-term liabilities include loans typically for the duration of more than one year.

- Equity capital. This is the amount you will finance yourself or through external financiers. Under certain conditions it can also include your investment "in kind", such as a vehicle you already owned but now "give" to the company. Every country treats investments in kind differently. You should consult your accountant. External borrowers may scrutinise the valuation of such investments as well.

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An exception to liabilities are subordinated loans. These are considered equity capital but only for the duration of the subordination of those loans. From a legal perspective, these loans are "subordinated" meaning that the creditors who issued such a loan are repaid last in case of bankruptcy, whereas normal loans are paid among the first. See Chapter 3.4.

2.4.3 Cash-Flow Analysis

Cash planning forecasts the flow of cash and other funds in the business. It shows what money you have available at any given moment by comparing expected incoming and outgoing money. It helps you keep cash in balance with your needs and predict potential cash shortages or periods with idle cash. This helps you to timely borrow money, e.g. in a bridge loan, or set it aside on an interest-carrying account. It shows whether you can pay yourself a dividend or whether investments are possible. A cash-flow analysis can also reveal which clients are consistent slow payers.

A cash-flow analysis typically consists of three or four items: receipts, disbursements, total, and financing. It starts with the overview of receipts (incoming money), which includes the beginning cash balance, collections from clients and other income. This is followed by an overview of expenses (disbursements), sorted by purpose. The total of receipts and disbursements shows either a cash surplus or a cash deficit. In the event you seek external financing, which certainly is the case if you anticipate cash deficits, the financing section should provide a detailed account of the amount you borrow, repayment, and any interest owed during the period shown in the analysis.

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2.4.4 Break-Even Analysis

A break-even analysis is used to determine when a business will be able to cover all its expenses and becomes profitable. To calculate your break-even point you need to know your fixed and variable costs. Fixed costs are expenses that do not vary with sales volume but recur on a regular basis, such as rent and administration. These "overhead costs" must be paid regardless of sales. Variable costs, such as purchasing inventory, shipping, and manufacturing costs, fluctuate directly with the sales volume.

Once you know your fixed costs and your variable costs the formula for determining your break-even point is a simple arithmetic: the break-even point is reached when your income equals your business costs.

2.4.5 Profit- and Loss Account

A profit and loss account or income statement shows whether you have made a profit or incurred a loss over a given time period. A P&L account is often required for official reporting purposes. Simply put, it provides a breakdown of costs and income in five steps:

(1) sales minus cost of sales results in gross profits

(2) gross profits minus operating expenses result in operating profit

(3) operating profit minus interests paid results in pre-tax profit

(4) pre-tax profit minus taxes results in profit after tax

(5) profit after tax minus dividends results in your net profit.

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3 Establishing Your Business

As an independent contractor you are in principle subject to the same rules and regulations as any other business. You may want to do business as a legal entity. You must choose a business name. For some professions you need a license in addition to a diploma. You have to apply for permits, file with the tax and social security departments, and comply with the same rules your larger brothers in business have to comply with: anti-discrimination occupational health, disability facilities and such. You must establish an office and perhaps other working space, which is also subject to permits and regulation. Most importantly, you must acquire and retain clients.

3.1 Legal Structure

Different legal structures are suited for different types of activities and different personal situations. The details of establishing and organising legal entities differ per country, as do their administrative requirements. Their basic structures, however, are quite similar. These include sole proprietorships, partnerships, associations, limited liability companies, and hybrids thereof.

Which type of entity fits you best depends on several factors, most notably taxation and liability for your business activities. Your tax situation can be discussed with your accountant or notary. Your liabilities can be discussed with an attorney or notary. In civil law countries the notary is also the official who is involved in establishing legal entities. Note that the laws and regulations pertaining to each type of entity are different in each country. You need to seek legal and tax advice geared to the situation in your country.

If you establish a legal entity it is essential to always adhere to the legal formalities. No matter how minute or boring the administrative tasks at hand may seem, from a legal perspective you and the business are entirely separate persons. The authorities take that very seriously – in fact so seriously that they have established separate legal regimes, laws, financial requirements and liability rules for each type of entity, as well as separate departments within the tax or social security authorities, and sometimes even separate chambers within the Court system. Considering all these efforts, you should not tread the relevant paperwork lightly.

3.1.1 Sole Proprietorship

In general no special formalities are involved to establish a sole proprietorship. For that reason many individuals work under their own name in the early stages of operating independently. As a sole proprietor you are a one-man business operating under your personal name and auspices. For tax and legal purposes both your business and you as an individual are treated as a single entity. You operate under a simple structure that does not require much additional administration.

A disadvantage is that as a sole proprietor you pay both the employee and employer part of your income tax. Deductions aside, your taxes can effectively be higher than an employee earning the same amount of income. For instance in Sweden employers can pay between 5% and 15% in fees to social insurances. In the USA employers pay an additional 6.2% in federal tax plus the state tax rate of up to more than 5%.

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Another disadvantage is that no income tax is withheld from your income throughout the year. That means that you must set aside sufficient reserves to pay a large tax payment once a year. In practice, not many people put that large a pile of money aside. It is usually a welcome addition to the cash-flow of a new business and after a few months you easily forget that it is not yours. To ease the pain, and to ensure that payments will actually be made, many tax authorities require that independent contractors file and pay taxes 4 times per year. Confusingly for other bookkeeping and reporting purposes, this does not always coincide with the end of a calendar quarter.

A danger with sole proprietorships is that it is all too easy to commingle private and business funds. This is not illegal; in this structure it is your money after all. But it is tempting to spend the money you could invest in expanding your business on personal matters. Especially since you did pay your additional employer taxes over it. Reinvesting, or keeping it in the business as a reserve, is not fiscally encouraged. If you don't keep a good administration and lose track of the difference between business and personal, your efforts are not productive in the long run. The better you are at distinguishing between business and private funds, the more you are on the way to doing whatever it takes to run a "real" legal entity such as a corporation.

As a sole proprietor you are personally fully liable for the activities of your business. If something goes wrong this can affect you personally for the rest of your life. It can also affect your spouse or partner, and whoever put out a guarantee for you. This is an incalculable and often irresponsible risk, and depending on how meticulous and precise you work it is a blank cheque to unknown beneficiaries. For that very reason banks are less inclined to lend money to sole proprietors.

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Another issue sole proprietors often face is that since the book of business is extremely personal it is hard to sell the business. It is not suitable for a retirement nest egg – when you stop working you just close your books and shut the door (but keep the administration for a couple of years).

3.1.2 Partnership

Establishing a partnership implies cooperating with someone else. Partnerships are basically the sum of two or more entities. Those entities can be other individuals but also e.g. corporations. Partners are not employees of the partnership nor are they independent contractors to that partnership. Instead they are self-employed individuals that cooperate with each other. Normally, (active) partners are personally liable for the acts of the partnership.

The reason that it is touched upon here is that you could envision entering into an arrangement where a financier, for instance your spouse, acts as a silent partner in what is called a limited partnership. Note that a limited partnership is not quite the same as a limited liability partnership. Silent partners are not liable for acts of the partnership (other than their initial investment) but non-silent partners are. Silent partners may share in the proceeds but may not be involved in the business. In some countries the silent partner is not allowed to be involved in the daily operations, in other countries he is not allowed to be involved in any aspect of the business. If they are involved nonetheless, they lose their silent status and become personally liable ordinary partners.

Types of partnerships include limited partnerships, limited liability partnerships, limited liability limited partnerships, professional corporations, unregistered partnerships, master limited partnerships and more. National distinctions are important and sometimes confusing. In the USA limited liability companies (LLCs) are organised as corporations but have a substantial partnership component. In Germany, shareholders of a limited liability corporation (GmbH) are called partners (*Gesellschafter*), not shareholders (*Aktionäre)*, whereas a KGaA (limited partnerships with actual shares) can be stock market listed.

Regardless of all the distinctions, a partnership is a personal income tax legal entity. The exotic developments are mechanisms to shift or avoid liability and are moulded around the laws of individual countries. Tax implications can be explained by a notary or accountant. Establishing and registering a partnership can be done by a notary or attorney. They can also inform you what formalities should be fulfilled during the lifetime of the partnership.

3.1.3 Corporations

In principle two types of corporations exist: plain corporations and corporations with limited liability. In most European countries “anonymous” corporations are companies with shares payable to the bearer. In Great Britain these are called PLCs, or Public Limited Companies. Companies listed at stock markets usually are “anonymous”.

Limited liability corporations are not anonymous: their shareholders are always registered with the company, especially where the corporation has a partnership component for tax purposes. In the USA, where shareholders are always registered with the company, even regular corporations can opt for partnership taxation to apply (S-Corp.) under certain conditions.

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Each country has quite different laws in place that apply both to taxation and the extent of liability of corporations. In general, the advantage of a corporation is that the law considers it as a separate legal entity. The liabilities of a corporation differ from the liabilities of the individuals who own it, run it or are employed by it. Transfer of assets, or sales of the company itself, is easier, as is obtaining credit. The other side of the medal is that both legal entities will be taxed: the corporation with corporate tax, the shareholders with income tax over dividends, and the employees with income tax over their wages. As an independent contractor you may represent all three capacities.

In many countries officers and majority shareholders can be held personally liable for deliberate acts or neglect by the company. Majority does not always mean more than 50%; it can be as little as 10 or 15% depending on the amount of influence the shareholder had on business activities.

Corporations, whether limited or anonymous, are often the most interesting option for foreigners, as partnership-type entities do not provide personal tax benefits in a different country. For clients an independent contractor working under the umbrella of a corporation, even if it is his own, takes away the doubt of employment relationship. For a lender operating as a corporation shows serious involvement. Lenders may still require additional guarantees but these can be provided by yourself rather than by a third person.

You don't necessarily have to be incorporated in the state where you live or do business, but you do have to register your business there. If you incorporate elsewhere, bear in mind that the more jurisdictions are involved, the more you open yourself up to taxation, litigation and audits in other places. Don't automatically assume that a Channel Island, Swiss or Delaware corporation is the best. Consider whether a complex construction and adaption every time legislation in any of the jurisdictions involved changes, the costs of additional reporting, or the triggered scrutiny of tax authorities outweigh the financial benefits.

Running a corporation requires meeting several requirements and formalities. For important matters regarding the business or finances and its continuity you need to hold formal shareholders' meetings. You must document important shareholder decisions even if you are the sole shareholder. You can do this in just a few minutes, as long as you do keep the formalities in mind. Write meetings down in the form of minutes.

In most civil law countries a notary is involved in the incorporation process. The notary may also arrange the initial filings and registration for you, or guide you through the process.

3.2 Registrations, Licenses and Permits

A license is granted as a permission to do or use something. Some licenses require passing of a test before you qualify or impose other criteria that must be fulfilled. A permit is a type of license that regulates something and is often granted and renewed after an inspection. Often, licenses are valid until they are revoked, whereas permits are issued for a defined period after which they need to be renewed. Both licenses and permits can be granted by local or national government agencies or by professional associations (such as for doctors, accountants or attorneys). Sometimes more than one agency or organisation is involved.

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Which licenses and permits are required depends on the type of your business or profession, its location and sometimes its legal form.

As a rule of thumb your business faces more regulation, and therefore is more subject to licenses and permits, if it is active in the field of health (even remotely related, like hairdressers and nail salons), construction, alcohol and tobacco, chemicals, dangerous goods, transportation of passengers, employment or recruitment agencies, and if you are one of the so-called regulated professions (any profession for which a higher degree diploma is required). National distinctions are great and sometimes culturally driven. For instance, in Romania legislation is currently being discussed according to which fortune-tellers must possess a "witch permit".

For an independent contractor, licenses and permits have come to serve another purpose. In an era where every other unemployed person calls himself a consultant, having a formal document showing proof of credibility of one's profession or business helps being taken seriously by potential clients.

3.2.1 Registering Your Business

Regardless whether you are incorporating your business or operate as a sole proprietorship, you must file your business in accordance with the laws of the country where you are establishing the business. If you operate in more than one country or state, you must register in each of them. Exactly where you must register depends on the country you operate in. In some countries Trade Registers are held by the regional Chamber of Commerce, in other countries by a local court, yet elsewhere with the provincial or state authorities.

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In addition to your business registration, which is usually a state affair, you may also need a local business permit. This permit is issued by the city or municipality of the place you do business in. The local agency may impose conditions related to the type of your business. For instance, restaurants may need a local permit to operate a kitchen, for which fire department approval is required, as well as a separate permit from the health department. They may also need a separate license for selling alcoholic beverages, for maintaining an outdoor terrace or sidewalk café, for playing music after certain hours. Other than a restaurant, a food truck may also need a mobile vendor's permit for each municipality it intends to sell food in, and arrange parking or similar permits for each location.

3.2.2 Business Name

An effective business name should be distinctive from that of your competitors and memorable to your target group. Preferably, it should be easy to spell and pronounce and suggest the goods or services you offer. That notwithstanding, you should do a trademark search, as you don't want to infringe on other person's intellectual property rights.

Registration of your business name is different from registering your business. If you have registered the official name of your company as Smith Trading Co but you sell goods under the name Cotswold Trekking Boots, you should register the latter as your fictitious trade name.

Registering a fictitious trade name, or a "doing business as" name is not related to any trade mark or other intellectual property rights you may (want to) have. Instead, it shows anybody in the market that if they want to formally contact Cotswold Trekking Boots they should address Smith Trading Co.

3.2.3 Tax and Social Security Registration

Business registration is typically separate from registration with the tax department or from registration for VAT or sales tax purposes. You must also, usually separately, register with the social security organisation.

The revenue services of most countries maintain a separate business or corporate tax unit that can provide you with the relevant details. Here, too, the authorities have established separate reporting requirements and separate laws to guard their interest, and often even separate administrative court systems. Even in case of termination of your business, whether voluntary or through bankruptcy, the tax and social security departments enjoy absolute preference. You should not tread the required formalities lightly. Consult an accountant who is familiar with the formalities of your country and the policies of the local tax office you resort under.

3.2.4 Terms of Delivery

Terms of delivery govern between a buyer and a seller mainly to determine who is responsible for the costs and who bears the risk of loss of delivered goods.

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In many countries you must register your terms of delivery. Sometimes registration is not sufficient and you must provide a copy or summary of your terms with your quotes. It doesn't hurt to submit your delivery terms even if it is not required, especially if the client maintains his own terms of acceptance. It is essential that you clarify which terms apply: if both terms have conflicting clauses you end up in a "battle of the forms" and in a resulting dispute the law will make the decision for you.

3.2.5 Music and Print

The assumption in many countries is that a business plays music in public and requires them to pay for this. The burden to prove otherwise is yours. If you are able to "reproduce" (read: play) music in a way that someone other than you can hear it you have to register with, and pay, a copyright collection agency that is bestowed the authority to represent artists.

In some countries a similar scheme is in place for printed matter in the event you own or lease a copier. The assumption is that you will make copies of copyright protected work, and thus you will be assessed an annual fee. If you want to contest the assessed amount you need to keep meticulous administration of what you copied for what purpose, and probably keep a copy for your files.

3.2.6 Diplomas

Especially if you operate as a professional in a regulated profession you must have the requisite diplomas. Sometimes a diploma grants the right to practice a profession without further requirements. In general, however, if you want to establish yourself independently outside the supervision of a larger organisation the diploma forms the basis of the licenses you must apply for. Sometimes an additional examination or test is required; sometimes the license is issued as a mere formality. You need to inquire with the authority or professional association that governs your profession, for instance the medical guild or the bar association.

3.2.7 Other Registrations

In addition to general business registers some countries impose specific registration requirements to certain professions or industries. For instance, in Germany, independent contractors performing skilled trade activities should verify whether their activities should be registered with, and comply with the requirements of, the 'skilled trades register' (*Handwerksrolle*) of the *Handwerkskammer*. Self-employed persons are exempt from registration with the business registration office (*Gewerbeamt*) but are required to register with the tax authorities instead.

You should inquire in your country whether such specific requirements and conditions exist.

3.3 Bank Accounts and Credit Cards

Separate your business finances from your personal finances with dedicated credit-card and bank accounts that you use for your business alone.

You must deposit your income in the bank account that you use for your business. Mixing bank accounts or commingling funds raises suspicion if the authorities and will result in audits. It is all too easy to mix money and paperwork, especially if you operate as a sole proprietor, but it will make things more complicated at the end of the fiscal year. It also makes it hard to figure out whether your independent venture is worth it.

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Business bank accounts work the same as your private bank account, but they may be subject to additional charges due to a presumed higher number of transactions. Establishing a relationship with a bank and having an account from which the bank can see how your business is faring can also be useful in the event you need a loan later.

Credit card acceptance is not cheap. In addition to a monthly maintenance fee you will pay a certain percentage (called a discount) per transaction. In addition to fees you have to buy or rent credit card acceptance equipment. Even if fees are to a certain extent negotiable bear in mind that some industries are charged higher percentages than other. If you are a caterer and accept credit card payment for parties with a large number of guests make sure you are not categorised as a restaurant, which typically has more payments of smaller amounts and therefore pays a higher discount. Note that there are different rates for online acceptance, for swiped or dipped credit cards, and for credit cards of which a paper slide copy has been taken and which need to be processed manually.

Alternative payment methods are online financial services such as PayPal. These are transaction facilitators that maintain an account in your name, which you can link to your bank account. They are not banks, and therefore the money on your account is not insured as bank accounts sometimes are.

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3.4 Financing

There are many ways to finance your business. The basic distinction is with equity capital, indicating ownership in exchange for money, and loans. Loans include credit lines from banks, microlenders, peer-to-peer loan sites, or from friends and family. You may also be able to start your business whilst receiving social security benefits such as unemployment of disability. Inquire with the relevant authorities.

Borrowing from outsiders is often preferred over borrowing from friends. Outsiders do not jeopardise friendship caused by real or perceived money issues. However, involving outside investors goes beyond lending money. If this mounts to partnering up with your financier your visions and personality must also match.

3.4.1 Loans

Bank loans are not always easy to obtain. Reasons for which banks can be reluctant include an insufficient faith in the viability of your business, the absence of collateral, high bank costs related to the borrowed amount, and more. To show that you are serious and believe in your own venture you will be required to provide a guarantee or other collateral.

In addition to your collateral the bank will maintain a solvency requirement. Solvency means the relation of your capital to the total assets. Banks expect you to invest a certain amount yourself. This can be any amount between 25% and 50% of the total assets, depending on bank, country and industry.

Subordinated loans are subordinated in the sense that the creditor who issued the loan is repaid last in case of bankruptcy, whereas normal loans are paid among the first. In return for this additional risk subordinated loans may command a higher interest rate. On your balance sheet a subordinated loan qualifies as an investment, and for accounting purposes it is considered equity capital. As a result a subordinated loan often meets a bank's demand that you take a risk position in your own business, whilst allowing to pay you interest.

It is crucial that you put the details on paper in a loan agreement, even more so if you borrow from yourself or family members. This also prevents that the money is considered income whenever the loan is paid back. A loan agreement should in any event contain the date that the funds were made available to your business, the original amount, the interest rate, the date interest is payable each year, the date the loan is due and whether it is payable upon demand. If conditions are flexible this should be described unequivocally so that no conflict is possible.

3.4.2 Guarantees

If the lender requires your spouse or partner to be a co-signer, the spouse or partner becomes co-liable for your debt, regardless of any agreement among yourselves to the contrary.

A guarantee is often a blank cheque. A bank's standard guarantee contract usually includes not only the liability for the amount of the loan, but also accrued interest and costs or expenses. In short, unless the guarantor is able to negotiate those extra costs away he cannot know the exact amount of the guarantee before the bank calls upon him. Avoid asking someone for a guarantee if you want to keep peace with the guarantor in private life.

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Once a guarantee is given it is hard to withdraw. If a guarantor wishes to withdraw the guarantee, even after many years and for reasons totally unrelated to the business or the loan, the bank may become alert and review your business or the loan conditions. As a result, the interest rate may be adjusted, read: increased. You may be required to provide an alternative guarantee, or the loan may be fully or partially cancelled.

A completely different issue are government guarantees. To stimulate small businesses, to promote a certain region, or to keep individuals out of unemployment statistics, governments are often willing to guarantee bank loans of promising small companies. Special conditions are also available to certain categories of people, such as minorities, handicapped or unemployed.

Government guaranteed loans often carry a somewhat lower interest rate, even though intermediaries may take a cut. Even if such government-backed loans involve additional paperwork it is actually a good idea to apply for a small amount and pay it off according to plan, as a tool to establish a credit history for your business. That way you can build good standing with your bank in case you actually need a loan for later expansion or other purposes.

3.4.3 Equity Financing

Equity capital is money raised by a business in exchange for a share of ownership in the business. Ownership is usually represented by owning shares (or having the right to convert loans into shares). You can invest in your company yourself or with a small group of family or trusted friends, or share it with outsiders. These can be private persons or businesses.

The most known forms of outside investors are venture capital firms and angel investors. However, it can also be a private person, family member or someone you collaborate with.

Venture capital is a type of financing in which a professional investor takes a substantial stake in your business. VC firms are willing to take higher risks but in exchange wish to be actively involved in the operations of your business. The main goal of VC investors is to achieve a higher than average rate of return on their investment.

A typical venture capital process is as follows:

1. Submit a business plan. The VC firm reviews the business plan and if it meets the firm's investment criteria will agree to a meeting with the business. Bear in mind that most firms or funds specialise in a particular industry, geographic area, or maintain other criteria.

2. Due Diligence. If the firm is interested it performs a "due diligence", reviewing your company's management team, market, products and services, history, governance documents and financial statements. Often they work according to a term sheet that describes the terms and conditions under which they would make an investment.

3. Seed investment for the start-up phase. Investments are divided over various stages of the life time of the company, beginning with a "seed" investment. This is usually how far an "angel" investor would go.

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4. Active control begins with the very first investment.

5. The second stage or "A investment", although it is called "First Round", follows when the company has more structure, a product, a basic management team, and some sales.

6. A subsequent "second stage" or "B investment" follows when the business has grown more robust.

7. A "Later Stage" or "C investment" prepares the VC firm to pull out or to take over another company.

8. Exit. This can be an outright sale of the company, a buy-out by management, or a listing at a stock market.

To obtain VC capital your business plan should include an elaborate "exit strategy" showing how the investor will get his money back. Note that down the line of the process, the VC firm may have made substantial changes in the management of the company, including your position. You must write yourself into the plan from the onset and also have a personal exit strategy.

Business angels are individual investors who seek similar high returns as venture capital forms, but usually through private investments in start-up companies. They often seek businesses with high growth potentials, a strong management team and a solid business plan to assess the business' value. Like venture capital investors, "angels" often also want to be involved in the company, but step out at an earlier stage.

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4 Small Office, Home Office

You need a good space and reliable equipment to work with. This includes a place where you can effectively work without being interrupted. You need filing cabinets, a desk, a table and chairs, and plenty of room for expansion. The latest top of the line equipment with more functions than you initially need is probably overkill. Every penny or cent you spend needs to be looked at with the question what it will bring you in return.

4.1 Office Space

As an independent contractor you need office space. In the beginning, a separate room or dedicated work place in your home will often suffice. If you need more space solutions for temporary or shared office space are available. You can also rent office space.

4.1.1 Home Office

You will spend a considerable amount of time in your office. If you operate from home, select your work space wisely. Next to the kitchen or a children's bedroom is distracting, if not for you then certainly for the person you are talking to over the telephone. The space should have plenty of electricity outlets as well as internet and telephone access.

Home office expenses are tax deductible only if you keep a meticulous administration. The area in which you work must be exclusively dedicated to your work, you must use it on a regular basis for your business or trade, or you must meet clients there. If neither of these two is the case a separate structure –not attached to your home– often is preferred. Consult your accountant.

You are not always allowed to maintain an office at home. If you rent your home the owner may not allow business activities. Whether you rent or own, zoning laws, building codes and local ordinances may prohibit business activities or even a home office. This is especially the case if your business is visible, generates sounds or odours, or attracts traffic.

4.1.2 Rented Office

Advantages of working from a rented office away from home include a mental break-away from home and forcing yourself to focus on the business at hand. You also meet other (business) people in a setting that is professional by design. Your clients may perceive it to be more serious.

Renting or leasing an office is a long-term commitment. Commercial rent is subject to different laws than residential rent. As a result, negotiations and contracts are different as well. In most countries one-size-fits-all commercial leases do not really exist, even though management companies like you to believe they do work with standard leases. Often you can negotiate a better deal, such as the first few months' free or additional features such as an upgrade of the rented space or exclusion of certain expenses. Make sure that you know who is responsible for maintenance and repair of crucial facilities such as telephone and internet connections, garbage and cleaning, parking, minor repairs, security patrols etc. Whatever you agree upon should be written in the contract, otherwise it does not exist.

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The lease should include the base rent or a calculation method for the rent. If it is based on size, realise that usable size is usually less than actual size. Internal hallways, storage rooms, bathrooms and kitchens, for instance, are included. Rates for excess use are separately negotiable. Excess use covers things such as heating, air conditioning and ventilation beyond normal business hours, as well as later improvements to, in, or around the building. If you don't negotiate these away or at least down to reasonable, calculable and predictable amounts these clauses are a blank cheque. The costs should at least be shared among all tenants according to a predetermined formula.

Contractual clauses allowing you to be charged for "operating expenses cover every cost that is part of doing business operating a commercial building. You should not agree with items such as cost of financing, insurance, artwork, disputes with other tenants in which you are not involved, etcetera. Common area charges should preferably be prorated. For instance, if you are on the ground floor, elevator repair is the least of your worries. Similarly, if your office is 1 of 10 rooms of equal size you should pay no more than $1/10^{th}$ of common expenses.

Limiting clauses pertain to the use of the space and sub-lease. Clauses that you can negotiate to tilt the advantage towards your direction include a renewal option, if possible combined with an option to expand, and sufficient parking. Termination clauses can be rigid. In that light, the down payment should be low so that you don't stand to lose a large amount in case of a dispute. If there is a dispute regarding termination your security deposit will not be returned until the dispute has been fully resolved. Whether a dispute is settled in the courts or by arbitration, resolving it can take a while. It pays to have a commercial real estate broker or attorney negotiate on your behalf.

4.1.3 Office Suites

Another option is to rent flexible or even dedicated office space in a shared office. Office suites offer cubicles or individual rooms of different sizes on a monthly and sometimes even on a daily or hourly basis. They usually have an assistant on premises who acts as office manager, and you may be able to use general services for a fee. Services include internet access, fax services, use of conference room, use of audio-visual equipment, courier services, et cetera. Although pricier than working from home shared offices or suites offer the benefits of a professional office without set-up costs and personnel. Often you will be able to negotiate some services at no additional cost, such as 2 hours of conference room per week free.

As with a commercial lease, here, too, you must know what you are signing. But the commitment is shorter and therefore the costs of a dispute or termination are lower. In any event you should have clarity as to which services are being provided, and at what cost. You should also be clear about whose insurance covers what.

4.1.4 Mail Boxes

Post office boxes and rented mailboxes are a not offices but provide you with a mailing address that is not your home or office. A post office box is generally accepted as a reliable mailing address at a post office or authorised facility. Unfortunately they are sometimes short in supply and even if they are available the post office won't always accept packages from external couriers.

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Rented mail boxes provide you with a "real" street address with an additional "suite" number. The suffix is not always a legal address and the postal services may sometimes refuse to deliver improperly addressed mail. Advantage of a rented mail box is that they also accept courier packages. Often, they call you if mail has arrived.

Where post office boxes are generally accepted in business, addresses with rented mail boxes are not necessarily so.

4.2 Office Equipment

The chapter of "office equipment" should actually be called "office investment". You will be buying capital goods such as computers and furniture that require a substantial investment and will be written off in 3 or more years.

If you use private property for the benefit of your company you must consult an accountant to determine whether you can bring it in as capital in the company. If you don't want to use it as capital, for instance because it is too complicated or not allowed in your jurisdiction, you can sell it to the company. Here, too, an accountant should determine or at least sign off on the price, to avoid that a later tax audit charges you of self-enrichment.

If you want to keep the property but just borrow it to the business you must draft a user agreement between your company and yourself. This can be a one-pager, as long as it clearly and unequivocally describes the item. For instance, you decide to place your grandfather's desk in your office. You should document that this desk is and remains yours, that it does not become property of your business, and that you can claim it back at any time without notice. You should also expressly exclude it from any form of collateral that a financier may require.

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4.2.1 Storage Space

Perhaps the most important investment in office space is storage space. You will need plenty, and whatever you store must be easily accessible when it is needed, which somehow is always unexpected and urgent.

If you use binders, invest in bookshelves. If you use file folders, invest is cabinets. Bear in mind that some information should be kept for 5, 7 or even 10 years. With liability issues arising and statutes of limitations sometimes exceeding those terms you may want to keep certain information, such as initial contacts, contracts, payments, changes to contracts, promises or other documents one of the parties relied upon, documents indicating exceptions, interim reports, drafts with later deleted yet important information, additional information, findings, blueprints submitted by the client, proof of payment, etc even longer than that. Your storage space should be sufficient to get you through the first couple of years. Presuming that your business grows, at a later stage someone else must be able to use it. You must therefore have a consistent system in place.

4.2.2 Your Tools for Effectiveness

A good desk and a comfortable office chair are important. These aren't always expensive, certainly not second hand, and they benefit the health of your back.

A computer is indispensible. If ergonomics are of concern a desktop computer may be a better choice. A laptop computer or notebook is somewhat more expensive but more flexible and less space consuming than a desktop computer. You will be able to take it along to clients if needed, or commute it between home and your rented outside office space. With the computer comes investing in legitimate software, a firewall, antivirus protection, antitheft protection, a printer, a back-up drive and more. Back up the content of your computer on a regular basis, at least once a week and more often if you are working on an important project. A camera for Skype and telephone or video conferencing is important as well.

You probably do not need the latest software updates, especially not of software that is not productive. What upgrades you need also depends on the industry you work in. It will be a long time before most law firms will be able to open a .docx document (some even still work with WordPerfect), but in the IT industry it may already be the standard word processing format.

If you write a lot of documents for external use, e.g. client reports, consider investing in a laser printer and swallow the costs of toner cartridges. You may be able to combine the printer with a scanner and a fax. If you are working with sensitive or confidential information, avoid the use of software that is accessible online; if something goes wrong you have no recourse. Use your own word processor or spread sheet programs. Clients may be extra cautious and require you to use secure programs or computers.

4.2.3 Stationery

A lot can be said about design and "house style" of your presentation material. Let it be sufficient to say that it doesn't necessarily have to be expensive. Letterhead, invoices, labels and business cards should be professional and consistent, clean and recognizable, but to spend more hours on determining the right design of the logo and font than on a chapter of your business plan or drafting standard terms of delivery is not productive.

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What you need first are professionally looking business cards. Depending on your target group the cards must be either classic or creative. A good business card is of a standard size so that it fits in business card wallets. It has a clear font with sufficient contrast to the background so that the card can faultlessly be scanned into a database with business card scanners. For that same reason there should be a clear and obvious distinction between telephone, GSM cellular phone and fax numbers, and your title must be placed after or under your name as to not confuse it with a business name in the database. Printing business cards on stock paper at home is not advisable. Such cards show tear marks and the paper quality is often just a tad too soft.

A logo is nice but should not be a substantial investment. You need to distinguish yourself from your competitors. On the one hand, unless you sell home-made goodies it can't look as if it were home-made. On the other hand, neither should it look like it was generated from a web-based template. Lady Justice with Scales merely refers to just another one-man law firm. But with a twist, for an insurance agent -especially if the agent has a law degree- it works. The design must also be fit for reproduction in various sizes and do well in a web site with large resolution.

Letterhead, envelopes and invoices can have your logo. In the alternative you can create a template document with logo with in word processor or spreadsheet program. This saves you money for special printwork, but it does have as a result that you will need computers and backup storage with more memory.

In some countries payments are still made with cheques. Printing cheques with your business logo are a waste of money if you only pay the telephone company or wholeseller's billing department, who process payments automatically anyway.

4.3 Telecommunications

As an independent contractor communications are your lifeline. You will be spending more time than ever talking over the phone and writing emails. Faxing is not yet a thing of the past. Equipment ranges from simple to absurdly complicated and from cheap to expensive. The hardest is for you to get what you can work with and can rely on without having to waste your time contacting customer service departments. As an independent contractor your income, your existence, largely depends on being reachable.

4.3.1 Telephone

Even if you work from home you should invest in a separate telephone line for your business. The reasons are twofold: your clients will receive professional treatment and you receive telephone bills that are clearly separated from your home calls. If possible, invest in two lines for your office. The second line serves as an overflow if you are on another call and can also be used for connecting a fax and credit card equipment.

The telephone is a marketing tool. For that reason you should consider using a professional telephone answering service for incoming calls if you are not available to pick up the phone yourself. A live person picks up the phone and notes the messages for you, already creating a paper trail. This can be electronic. More importantly, a live person is able to provide basic relevant information to the caller, which voice mail and answering machines cannot. Equally important, these services can also provide you feedback about the call or even instantly notify you if a call is very important.

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If you decide to use an answering machine or voice mail system nonetheless it should be easy to use, both for you and for persons calling you. The more numbers a prospect should be press the less likely he will leave a message. Make your own outgoing messages rather than the lengthy templates of your local telephone company. Template or "canned" messages contain no useful information for the caller other than that they can not reach you when they feel the need to do so. Call your own number and think whether you would want to listen to the full message or hang up before it is finished.

The telephone should above all be easy to operate. Buy telephone equipment with a speaker or at least a headset. You can also use the headset when using internet telephone services such as Skype, which is indispensible if you conduct business internationally. Mind the camera and aim it at a professionally looking background.

A cellular phone (GSM) is indispensable if you are often on the road. Here, either buy the simplest phone you can get for as little money as possible or buy a "smart phone", but forego anything in between. Smart phones are a blessing in the guise of a toy. They allow you to take pictures as evidence or example and include email so that you can immediately respond or forward information. They often include dictation devices, email and internet access, global positioning (active maps) and even accept credit card payments. That being said, smart phones have a very expensive learning curve. Try to limit your expenses to a minimum; especially in the beginning you will exceed that minimum with more than 100% if you conduct business domestically and perhaps more than 500% if you travel.

Brain power
By 2020, wind could provide one-tenth of our planet's electricity needs. Already today, SKF's innovative know-how is crucial to running a large proportion of the world's wind turbines.
Up to 25 % of the generating costs relate to maintenance. These can be reduced dramatically thanks to our systems for on-line condition monitoring and automatic lubrication. We help make it more economical to create cleaner, cheaper energy out of thin air.
By sharing our experience, expertise, and creativity, industries can boost performance beyond expectations.
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4.3.2 Telefax

Instead of buying a complicated telephone system you can use part of the money you save by buying a simple fax machine. Faxing is not yet a thing of the past and you will find yourself sending last-minute documents with your signature to a client. Visiting the local copying store and wait for the confirmation on a day when you don't have the time for it is not always an option. Internet fax providers do exist but are relatively expensive. Moreover, scanning a document into your computer takes just as much time as faxing. Often a fax machine costs less than a year's subscription fees.

4.3.3 Email

Internet access and a professionally sounding email address are a must. Strictly separate your personal email from your business email by using different email addresses. In the USA and increasingly in Europe, if you end up in litigation all email is subject to "discovery", meaning that the court can require you to give certain categories of messages to the adverse party. Even if your private message should not be submitted, weeding out the messages on relevance alone can already be expensive.

There is no such thing as deleted email. Your message is stored on at least four computers or servers from where they can easily be retrieved if the stakes are high enough. To be on the safe side, think of every email as a document that should be submitted to the court and consider how professional it would come across in a legal proceeding.

If you have a domain name for your web site web site, use email addresses ending with that URL. Indeed hbouquet@bucket.co.uk does sound more professional than ourhyacinth19xx@yahoo.com.

It is tempting to use "info@" as a general email address, e.g. info@mycompamy.com. If you do so, prepare to find your mailbox filled with spam and junk mail in a matter of days. Don't be afraid to be creative. For instance a caterer can use kitchen@caterer.com or a consultant solutions@consult.com. When posting your email address on your web side use a HTML code instead of the @ symbol or leave a space, so that web crawlers do not automatically recognise your email address. A genuinely interested prospect will make the link and you will free up time to respond to business leads instead of sieving through irrelevant junk mail.

4.4 Insurances

The need for insurance is often underestimated. As an independent contractor you have to provide for your own disability, retirement and sometimes health insurance. In countries where these are government provided you will likely fall in a different category than employees. You may also be subject to mandatory insurances. Not carrying such insurance makes you subject to fines or invalidation of permits. For other insurances you must legally have minimum coverage but are allowed to exceed that minimum. Here it is often wise to have coverage that exceeds the legal minimum requirements. If you operate your business from home you should ensure your business property is covered.

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It is tempting to skip one or all insurances for initial cost savings, but a little mishap can cost you your business. Accidents, illness, theft, identity fraud, even errors can affect a small business immediately. Leaving professional liability uninsured is a blank cheque. If you don't protect yourself but operate as a sole proprietor, not being sufficiently insured is irresponsible, if not towards yourself then to your family. Instead, consider a high deductible or "own risk" amount, which substantially brings the premium down.

Subject each insurance you buy to a cost-benefit analysis: you may be interested or not depending on your personal situation.

4.4.1 Insurance Agents or Brokers

You can insure yourself either directly with an insurance carrier, or through an insurance agent or broker. As a business you probably better deal with an independent agent or broker. At a direct writer, each person you communicate with works for or on behalf of the company. Especially when it concerns your health or liabilities you need someone who guards your interests.

An independent agent or broker works for you, not for the insurance company. He knows which multiple policies with one insurance carrier qualify for discounts that do not affect coverage. He can quickly compare carriers' offers and is aware of the latest developments. You always deal with the same small group of people without requiring that you start the story over again and again. Most importantly, if you incur damages where coverage or fault is not immediately clear, having an agent can mean the difference between being reimbursed or not.

An alternative to agents are group policies, such as through professional associations. In principle an individual policy sounds better, even though it can be more expensive than a group insurance. The problem with group insurances is that the insurance carrier and the managing association can negotiate changes in the policy, or even chance insurance carrier, on which you have no influence.

4.4.2 Liability Insurance

There is no use in establishing yourself independently without protecting you and your business against errors and mistakes made in the course of the business. Moreover, if you go through the effort of protecting your personal liability in a legal structure such as a limited liability corporation, most of that effort shall be in vain if you do not properly cover the entity.

Regardless of contractual exclusion clauses or other stipulations limiting, waiving or even rejecting liability, any independent person in business should have an insurance protecting him against damage claims resulting from errors, mistakes or outright failure of his goods or services. In practice, the origin or cause of an error can not always clearly be determined. Even if your product is not at fault you may be involved because it is used in other products. Often, multiple parties are involved. The legal question of fault may be passed on from supplier to supplier or department to department. Everybody tries to shift liability long before the actual damages are established. Even if the case ends in a settlement it is usually the weakest party who pulls the shortest straw. In insurance law suits the claims of the parties are represented by their insurance carriers. If you are not properly insured you will personally have to battle against the insurance companies of the other parties involved.

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In addition, liability insurance prevents you or any co-signer or guarantor from incurring financial problems if something goes wrong. You don't want to incur private debt, and you certainly don't want to saddle others such as your partner or spouse with private debts resulting from your business.

Professional liability or malpractice insurance is a must, and sometimes even mandatory. Moreover, some clients require their vendors to carry liability insurance and ask to list them as an additional insured person on the policy for the duration of the project

4.4.3 Health Insurance

Even if your government provides state universal health care and you are covered through social health insurance, the health insurance system isn't always friendly to independent persons. Gaps in coverage are notorious. Ideally, you can insure yourself through your working spouse's plan. If that is not an option, your choices depend on the distinctive health care legislation of your country. If basic care is provided you may need supplemental private insurance. In that case either the state or private insurance carriers all offer the same insurance at the same rate, but premiums and coverage of the supplemental policy are different. (Supplemental) insurance during pregnancy may also exist.

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Note that even within the EU and the European Economic Area differences are extensive. Self-employed persons in Germany and Belgium are required to purchase health insurance. In Belgium they must contribute to a "mutuality" health insurance fund. All funds charge the same basic rate and provide similar benefits, but some take longer than others to reimburse medical expenses. A 6-month waiting period applies. In Austria, a distinction is made between freelance contractors and "new self-employed" independent contractors with only one client. The first are insured under the social insurance laws of the country, but currently without coverage for illness. The latter are covered for illness and injuries on the job as self-employed persons. Los of income is not covered. In the Netherlands independent contractors can receive supplemental income up to minimum wage level if they fall ill. In short, no country is alike.

4.4.4 Workers' Compensation

Workers' compensation insurance covers job-related injuries and damages, as well as occupational diseases of your own and of your employees. It also fills the gap that health insurance policies leave if you work extended periods of time in excess of a regular 8-hour work day plus some overtime.

In countries with public health care, such as the UK, there is no need for workers compensation: any person is insured already. However, countries like Germany, Austria, Norway, and Finland, as well as Canada and Australia, did or do have such an insurance in place.

Even if workers' compensation insurance is not mandatory it is still advisable: many clients feel reassured if you are covered in case you are injured whilst working on their premises. Filing an insurance claim for injury on the job can trigger an audit. Being re-classified as an employee also affects insurance coverage. For instance in Canada, if an independent contractor suffers an injury and claims benefits under the Workplace Safety and Insurance Act, the Workplace Safety and Insurance Board may charge the client-now-deemed-employer of being in breach of the WSIA for back premiums and fines.

4.4.5 Disability Insurance

Health insurance generally does not cover loss of business as a result of your illness. Disability insurance is your assurance against unemployment more than unemployment insurance itself is. It covers you when you are unable to work as a result of illness or injury and as a result do not have any income during a defined period.

Before signing with an insurance carrier you should scrutinise and compare the policy details with similar offers. Important are the payout amount in the event you are disabled, the moment the insurance starts paying (either immediately upon your disability or after a waiting period, also called elimination period, e.g. 90 days), the length of the payments, the minimum percentage of disability and the premium you pay. As it is not a health insurance there should not be any exclusions for pre-existing or even non-pre-existing conditions.

Equally important is that your policy should cover you for not being able to perform your profession. If it does not stipulate that you have a more difficult task in proving that you cannot perform any task. The policy should be renewable or extend until your pension entitlement and it should not consider health problems you may encounter along the way to retirement. Again it is not health insurance. Finally, the policy should provide for inflation correction or cost of living adjustment.

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4.4.6 Retirement

As an independent contractor you are responsible for your own retirement plan. In many countries government provided retirement benefits for non-employees are meagre even if comparable benefits for employees are good. On top of that, most benefits will decline in the near future, as many pension providers deal with coverage shortage. Even if you believe you currently qualify through existing pension schemes you should provide for your own supplemental retirement income.

In some countries combined policies offer both life insurance and retirement coverage as one insurance. These insurances pay out either at the moment you reach a certain age or when you die, whichever comes first. In other countries these combinations do not exist and you need to purchase two separate insurance policies, one for retirement and one for life insurance.

Since you will reap the benefits of these insurances much later in life, selecting a solid insurance carrier is more important than the premiums you pay. A cheap insurance from a company with less than stellar financials may not be as good as a more expensive company that from the looks of it will still be around in 40 years. Of course, no guarantee exists. Your insurance agent can offer guidance.

4.4.7 Other Insurances

Most insurances reimburse material damage only. They do not cover lost accounting and other records, smoke and water damage, losses due to business interruption etcetera. You can buy separate insurance policies for losses. Loss of documents and work in progress such as manuscripts or reports are not covered, and even if they are the information cannot be retrieved. Here, a back-up drive for your computer is your real insurance.

Consider life insurance if your family depends on you. Beneficiaries are usually taxed on the proceeds unless they are also paid the policy premiums. Verify with your insurance agent.

Personal insurance covers personal loss. If you operate your business from your home verify whether your home insurance covers both your regular office equipment as well as special equipment and tools that are related to your business but are not usually part of a household. Some insurance policies explicitly exclude home office equipment. Your insurance agent will know whether additional coverage is required or advised.

Automobile insurance often requires that you provide the kilometre or mileage information at the renewal period. If you use your private car for business purposes and the use is extensive, verify whether you need to make changes to the policy. For tax reasons it is often not wise that the business flatly reimburses insurance premiums for your private car or vice versa.

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4.5 Car

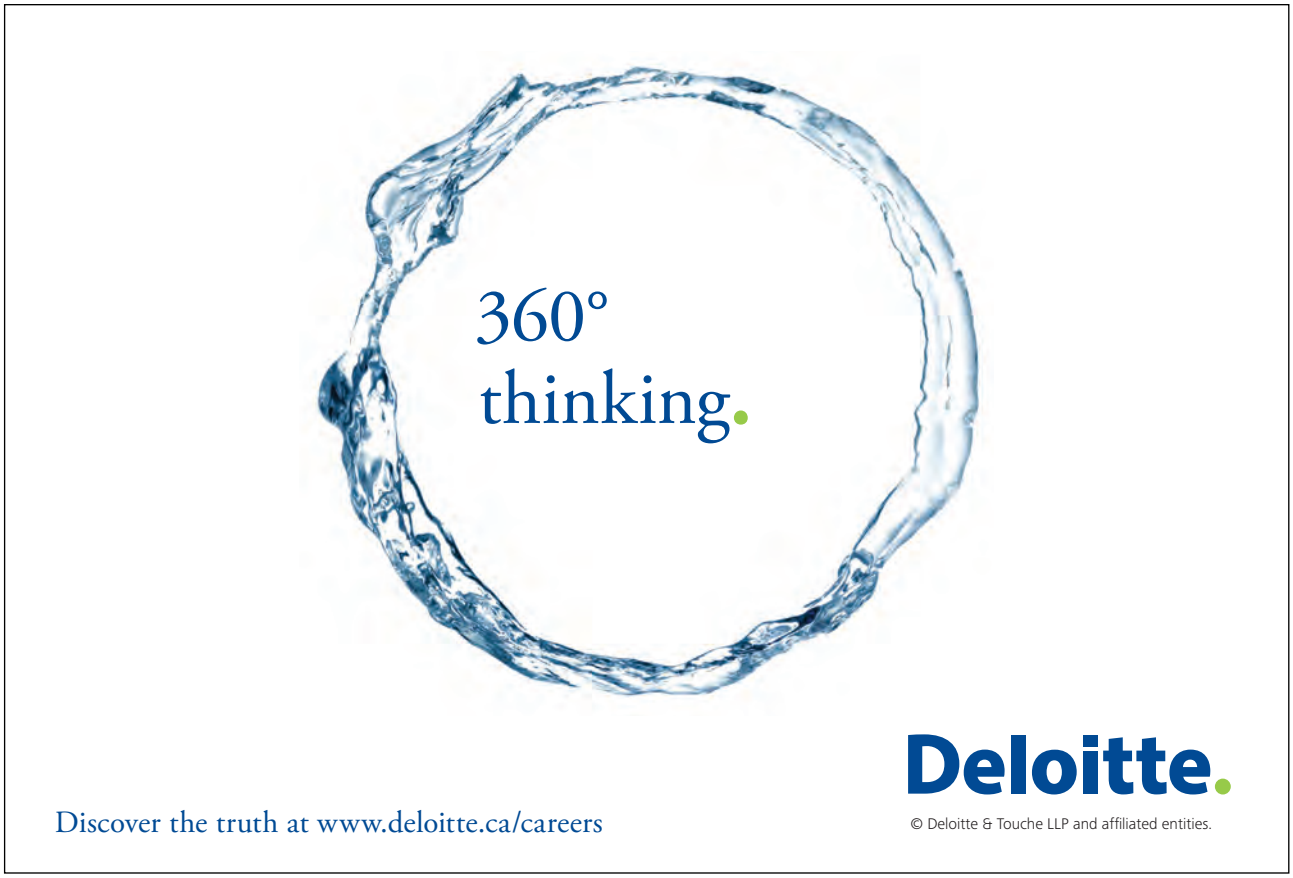
You can invest in a car for your business, or you can use the one you already have. Regardless of whether you buy a small or a large car, new or used, buying a car is a capital investment that either eats away your working capital or tilts your balance sheet toward a large debt. What you get in return is the ability to move around for the benefit of the company.

If you lease a car you postpone most of the investment. Your immediate investment is the down-payment. Your deferred payment is the final amount to buy the car at the end of the lease period, if you chose to do so. The remainder of the sum is paid in monthly payments over a period of years. Usually, all sorts of additional fees are included in that monthly payment.

In itself, leasing is more expensive that buying, even with borrowed money. However leasing frees up cash flow and, for businesses, the disadvantage is overcome by the possibility to deduct part of the lease costs from taxes.

You should consider that most tax jurisdictions assume that you use your company car for private use and therefore tax your income for this "benefit". If you want to avoid this you must maintain a kilometre administration to keep track of every trip, including date and reason for the travel. The slightest oversight or inadvertent private use of the business car will result in taxation anyway.

If you use your private car for the business you must keep administration as well, but merely to determine what amount you are entitled to be reimbursed. Every kilometre for which you are reimbursed must be justified, meaning that an auditor or reviewer must be able to find it in your administration. Reimbursement is bound to a maximum amount per kilometre. You are allowed to settle for less but if you receive more the entire sum is added to your personal taxable income.



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5 Sales and Marketing

As an independent contractor, you are an expert in the field as much as you are a sales person. Selling your product means telling different people what you do, over and over again. Repetition is essential. Selling your product effectively means telling those same people how what you do will benefit them.

Being an independent contractor implies that the relationship between you and your clients is a personal one. The personal touch begins just before the sales stage. Selling effectively means treating a prospective client with respect. As a sales person, treat persons the same way you would like to be treated. Do not call a prospective client at the busiest hour of a busy day in a key season, unless you would like to be interrupted at a hectic moment. If you must use a script at least make it sound authentic, unless you like listening to an unmotivated monotonous recital. Foremost, be familiar with what your prospective client wants or needs, or what he may want or need.

This chapter does not go into the details of teaching you the 4, 5, or 7 P's or C's of marketing. Instead, it lists a number of strategies you can use. In your line of business every piece of action you undertake is marketing.

5.1 Promotional Strategies

Marketing is a tool to get your business promoted, to generate and increase demand. For you as an independent contractor it is not a separate discipline onto itself (unless you are a marketing consultant). Even hiring a part-time bookkeeper can be considered marketing, as he has other clients that may have a need for your goods or services.

Marketing merely serves to present information about your product to potential clients and to turn them into clients with the least effort possible. If it takes too much time to reach potential clients, change your strategy. If you have reached potential clients but it takes too much time to convert them into real clients, adapt your strategy to their needs.

Keep track of each and every strategy. Every cent or penny you spend should yield results. These results should be measurable.

If you have a marketing plan, even a rudimentary one, you will have oversight of the consequences of each activity. You should periodically consult that plan, especially if you are about to spend additional money or if you are about to increase or cancel an activity. Your plan forces you to focus.

Maintaining a marketing budget also allows you to distinguish between recurring expenses and special events, and allows you to keep track of developments over a number of years. It allows you to easily determine which activity to increase, decrease or drop, or whether to increase your budget during some periods. Stick to the plan. It doesn't hurt to make an occasional change, especially if you have a system in place that measures the success rate, but at least motivate your reasoning and achievements, document it for future reference.

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5.1.1 Passive Marketing

Passive marketing includes advertisements and classifieds, listings in membership directories, resource guides, yellow pages, approved vendor lists, mass mailings, local promotions in non-profit causes, professional organisation or chamber of commerce membership referral listings. Each passive marketing effort should clearly show your name, contact information and web site.

Not all efforts of passive marketing are suited to your business. If your target group is Fortune 500 pharmaceutical companies a local yellow page listing won't yield any results. If you settle as a hair stylist and your area is served by three different yellow page directories you must decide whether to advertise in all three or in none, if at all. Hint: three is expensive and most households use just one. If you operate over the span of several yellow page regions, or "slocks", be selective and research the demographics of each directory.

Directories offer the opportunity to stand out, e.g. using a larger typefont. If you are the only entry in a certain category this is of no use to you. However, if you are one of many providers of the same or similar service this could be your only way to stand out and get noticed, especially if your name does not begin with Aaaaa. Most directory listings are also published online. Choosing the right category will yield effective search results, however choosing a wrong category will not yield anything in an online search.

Hand-outs are presentations you can give or leave behind after a meeting or presentation. They are often found in press kits, along with samples or candy, or handed out at conferences. Similarly, press kits – a presentation folder with content about the product you want to promote, a general letter, business card and sometimes a sample or a trinket – can also serve to give to clients.

Cross-business promotions, for instance a photographer and a florist promoting each other for wedding services, are a bit more active form of referrals.

Signs are a very effective and relatively cheap way of attracting attention. Note that many cities and municipalities regulate the use of signs and often a permit is needed.

5.1.2 Networking

Networking is a form of active marketing. Do not expect immediate results. Networking is above all an investment in time which often begins to pay off after about one year. In the mean time the network needs to be nurtured. People must notice you, and above all must see that "you are still there" after a while.

Keep in touch with or revive your old network. Online social networks are prevailing, so a little letter –with a real stamp– gets a lot of attention. Let it be known that you are open for business. Ask for referrals. Yet being too aggressive is counterproductive. That is often determined by personal or cultural lines. When people start to smile but not utter words and then slowly walk away, don't return phone calls, or give polite objections, you know that you just crossed a line. Apologise, explain in one or two words what moved you to act. Unless you just realised a great success elsewhere (and it better be good…), ease down for a while. If that takes a year, or five years, well, that's the time it takes.

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Networking can easily be combined with other activities, such as memberships of trade associations. These are also good for keeping up with developments in the industry, continuing education, access to resources, support, and credibility towards clients.

Remind yourself that networking works in two directions: you give and you take. You are just as interested in the people you network with as you expect them to be interested in you.

5.1.3 Cold Calling and Telemarketing

Cold calling, or its 21st century outsourced euphemism: telemarketing, is the hardest discipline of marketing. 80 to 90 % of the time you will get a "no" for answer, and often very rudely so. If you can stomach this and constant rejection doesn't affect your mood and motivation, feel free to try. Cold calling does occasionally provide results. One condition is that you have a very good contact list with genuine "leads" who are already familiar with the type of product and to whom it may be not merely of use but actually beneficial. Another prerequisite is that those leads either have decision making power or are in charge of procuring the goods or services that you offer. More difficultly, the timing needs to be right. You have to reach the prospective client at a moment that he foresees a need. During the call you must narrowly define your product and explain in a few seconds what it is and what benefits it has to the prospect.

Here more than anywhere else: if your sales pitch can be made in 10 words, try to do it in 7, not 12.

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Treat the person who picks up the phone like you want to be treated if you would receive a similar call. Thank them for their time, but don't overdo it. And if you propose that they call you back, make sure that you pick up the phone yourself, or at least give a telephone number that is answered by a live person who has knowledge of your earlier call.

5.1.4 Newsletters

Newsletters do work, provided that they are written in your field and tuned to current affairs. An accountant writing about tax filings should write a few weeks before the tax filing deadline, not after it has expired. Newsletters should be short, one or two pages usually suffice. You can always elaborate on a specific topic on your web site.

You must write your newsletter yourself. Indeed ghost-written industry or association newsletters that are personalised with your logo and trade name can be purchased for a relatively low fee. However, unless you can get the content as an exclusive in your region or industry it is hardly effective. When you try to differentiate yourself from your competition it doesn't make sense to buy the same content as those very same competitors.

5.1.5 Trade shows

Trade shows, though expensive, can be an important tool in your industry. The fact that many cities tout trade shows as an economic boon already indicates that participation in trade shows is a costly affair. Many trade show organisers demand thorough preparation by the participants and exhibitors must work according to a manual to meet their needs. Prepare to pay large sums of money for space rental, design and construction of booth and displays, travel and entertainment, overnight stay, promotional literature and trinkets to present to attendees. Typical additional charges are electricity, booth cleaning, internet services, and handling (so-called drayage). You are a captive clientele and on-site services and amenities, even a cup of coffee or tea, are highly overpriced.

You can consider attending the show as a visitor and hold a small presentation in your hotel room or rented apartment. This practice is sometimes frowned upon and some trade show organisers have arrangements with hotels in the area to prohibit such activities.

5.1.6 Public Relations and Other Strategies

Other activities to get your name out include writing articles in local or industry magazines, blogging, public speaking assignments on your topic, teaching and seminars, or appearances in local or national radio or television. Not all are easy to achieve and reaching the right person who can set you up is often time consuming. A public relations firm can be of assistance.

Direct mailings can only be effective if you sell a commodity. Mass mailings are not suited for personal messages. Mailings need to have real stamps and an accurate sender address in order to attract attention. Be aware of your country's regulations pertaining to fax or email solicitations and always offer the option for a recipient to opt out. If a recipient indicates that he does not appreciate receiving your mailings, remove him from your mailing list immediately. If you can add an entry to a list virtually immediately there is no legitimate reason to maintain a period of several business days to remove an entry.

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5.1.7 Word of Mouth

Word of mouth is the best marketing tool you can imagine. The reason it is mentioned here last is that it is the most difficult to obtain, or at least the most difficult to control yourself. You can generate buzz and you can influence the tone, positive or negative, but it has a slow start. First you need to have worked on something, then that something must have been finished and the client must be very pleased with the result, and on top of it he must be speaking about it in raving terms, to the right persons: others who would need the same product or service. Don't expect word of mouth to happen overnight.

You can be helpful in creating your own positive word of mouth by leaving a proper impression. Answer or at least return telephone calls promptly and courteously, pay attention to the presentation of your reports, look clean, be organised and be prepared to encounter potential clients at the most unexpected moments. Always carry your business cards, but never force them upon people. Don't oversell yourself but know your limits. For instance, during social gatherings don't sell yourself but describe your activities in one or two sentences and move back to the social element of the gathering. Last but not least you must provide an excellent product.

5.2 Get Online

You need a web site. Getting a domain name, web hosting and even web design are probably the least of your costs. Your web site is your 24-hour promotional material, your contact information, and showcase of what you want to convey.

5.2.1 Web Site Design

You can find designers and developers in every town and every school, at prices ranging from almost free to exorbitant. A suitable designer is one who is able to create a user-friendly site that appeals to your target group. You need someone with experience in designing a commercial site with your goals in mind who understands your target group.

A designed web site is preferred above the many templates that are available or are included in software programs. A template never fully fits all your needs. Templates are often designed with a "look" in mind rather than your target users. They are offered to groups of industries, meaning that your competitor may use the same template as you do and you will not set yourself apart. Moreover, a few templates contain tracking code that tells the seller more about your web site than it tells you. Finally, whether you use a template or not, creating –and even maintaining– a web page is very time intensive. Just as you would let the artist or printer arrange the layout of your printed matter you should let a web developer deal with the complexities of creating a superb web site. Save your time, you have a business to run.

That notwithstanding, you should be aware of what a good web site consists of. Often, web designers have ideas of their own, based on design and looks rather than users. Don't let them get carried away "because they know web sites" but instead make very, very clear what you want – that is: who your target group is and what message you want to convey.

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5.2.2 Web Site Content

An effective web site provides the information you want to convey, appeals to your target group, and can easily be found on the web. In short, it meets the following basic criteria:

Always keep your target group in mind when designing the site. If you want to reach household customers or if you operate in a country where broadband is not common, or if your target group is paying by time or data usage, skimp on technology. Avoid Flash, video, or even XML. Flash looks bad when the client makes a paper print-out anyway. On the other end of the spectre, if you are an artist or provide web or IT services you must continuously showcase the latest technology on your web site.

A simple HTML page is easy to maintain, shows without problems in most browsers, downloads fastest, and with proper webmaster tools can keep track of "eyeballs" more effectively than any sophisticated specialised programs can. A good designer will offer a solution between basic HTML and any technology that fits your needs.

Content is king. On the web, attention span is low. In short, provide information about you and your product in at most one or two paragraphs per item. Show shortly what you do and how the client can benefit from that. Provide testimonials or write a short anonymised success story.

Create separate pages for separate categories of products or separate topics such as your CV or biography. Include your business name and contact information on each and every page: if a potential client prints out one page you do want him to see where he got it from without much effort.

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For the same reason, limit the use of graphics, and only use photos that accentuate the site. Graphics should not slow the site down. Do not use any photos or graphics you have to pay for, as there are plenty free ones available.

Do not offer third party advertisements on your web site if you cannot control them. If you are an accountant for small businesses you don't want an Ernst & Young ad to appear on your site via Google Ads.

Keep the number of clicks low. Don't expect a visitor to click through to the second part of an article or story, but provide the entire information on one page. Avoid pop-up screens and banners - no ifs and buts.

If you are selling goods online your site can also plant simple cookies. Basic cookies facilitate authentication, a customer's preferences when browsing your (not someone else's) site, shopping card contents or timing out browsing sessions. More complicated cookies can do more than but you easily violate privacy rules of some countries if you use them. They are also often deleted by a user's antivirus software, if they are accepted by that software at all.

5.2.3 Getting Noticed

Much is being discussed about SEO, or "search engine optimation". Numerous services are available that sound either very impressive or like hot air, depending on who you ask. You don't have the time and the services are not cheap, even if they seem to be. Your web site will get noticed if it fulfils the following criteria (of which you may have to remind your designer).

Metatags are perhaps, still, the most important feature in a web site. Most web sites templates and software generated sites do not consider metatags. Neither do sub-domains such as youraccount.within.yahoo.com. Even many web site designers need to be convinced to use metatags. You will need to add them manually. This becomes tricky if the site uses or depends on more complicated features or programs such as style sheets, XML or Javascript. However, these tags determine to a large extent how it will show up in search engines. When writing metatags, do not be over-inclusive of the same words or terms, as redundant repetition will backfire.

Content should be placed at the top of the page, not images. Search engines read the top of the page first. They do not recognise symbols. They don't know Flash. They can't read pictures. They get confused by frames and style sheets. All these should not be present at or near the top of any web page. If you think you need them at the top, you can anchor them at the bottom.

You want to keep some information secret from search engines. To avoid crawlers picking up any email addresses you can use the ASCII code for the @ sign, or use space. You can also exclude web pages from being indexed by search engines by using a robots.txt document.

Submitting a web site to search engines is time consuming, as every engine has its own rules, categories and quirks. Make sure to follow the instructions in order to be successful. The alternative is waiting until the crawlers pick up your site based upon your metatags, which may be effective after a few weeks only. Do not pay for a submission service that submits your site under a general category, which is either a dead end or results in a rejection.

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5.2.4 Online Marketing Strategies

Online marketing strategies include maintaining blogs or tweets and using social media – currently mainly LinkedIn to reach professionals or Facebook to reach consumers. You must select well, as covering any and all such media is hardly doable. There are too many, and what is de vigeur today can be hopelessly outdated tomorrow. To target these properly you need to constantly update your postings. In essence, unless it is your hobby and you enjoy doing this in your rare spare time, this is an activity that is easily too time-consuming for a small business.

Social network recommendation systems can be very effective to generate clients. Being recommended in a (somewhat open) forum is more credible than sending your own credentials in a brochure, which reeks of advertising rather than a referral. Avoid, however, "recommendation circles" in which a group of interlinked individuals recommend each other. Also avoid soliciting too many recommendations: a large percentage of recommendations compared to your total number of connections is not credible.

5.3 Selling

Relationships are built between people, not organisations. Selling is important, but unless you sell goods that everybody needs you need to build up a relationship first. A prospective client's first concern is what you may bring him. No matter how good you are, no matter how you do it, the end result is what matters.

Set your goals before you enter a meeting. Know what you can probably achieve, and go for it. If details about a meeting are not clear in advance it is not likely that a deal will be closed. Turn up for an appointment and be on time. Never promise anything you cannot deliver. Never criticise your competitors. You may highlight your product's strengths rather than bashing a competing product. Keep to the facts.

5.3.1 Gatekeepers

It is hard to reach people with buying capacity. Don't be rude to gatekeepers. It's their job. Like it or not, you are contacting the prospect not in your capacity of a service provider or manufacturer of goods; you are wearing the hat of a sales person. Consequently, you will be treated like one.

Here, your persuasion skills are more important than your capacities. However, do not hang on too much on lower level relationships. They are important but if the person is not cooperative you should halt your efforts and try a different angle. You can't live off promises and hope.

5.3.2 Contact

In any contact with a client or prospect, be professional, be to the point, and above all be yourself. You perform best if you are within your comfort zone. Moreover, if you aim to cooperate, you will have to show your true self at some point anyway.

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Be upfront; let the person know that you want to sell him something you believe he needs. Saying that you don't want to sell but thank the person or bring something under his attention, and then trying to sell is a lie from the onset, and not a good base for a solid sell. Script your phone calls, but don't spell them out word for word. You have to sound natural. Jot down the key words you want to hang your conversation on as not to forget the message, but don't spell it out. Be polite and thank for the time, but not profusely. Have the person or prospect in mind, as if you can see him. If you have no idea what he may want, don't bother talking.

5.3.2 Follow-up

Sales follow-up is crucial after each contact you have had, regardless who initiated the contact. Not following up after your first contact gives the prospect a signal that you are, after all, not that interested. Not following up after a prospect's initiative is even worse.

There is no reason to not follow up. Cold-calling prospects without doing a follow-up is a useless waste of your own time. Approaching qualified leads without following up is an even worse waste of time, both of your prospect's and of your own.

In a follow-up message you should provide additional value. This can give an edge above your competition. Have some basic information at hand that you can cite from or send immediately. One or two pages often suffice.

To avoid forgetting to follow up, make a follow-up list or chart, complete with telephone number, address, email address of your contact, an overview of earlier communications with others in the organisation showing what was discussed, what was promised, what documentation you sent, and any specific details. Also indicate when the next contact should be.

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Follow-up beyond a formal confirmation should also take place after a sale is closed. It doesn't hurt to shortly but genuinely thank the persons who were instrumental in the negotiations and to tell them that you look forward to working together. As with any work relationship, the way you start sets the tone for the entire duration of the relationship.

Shortly after a project has been completed you can follow up with the client to see whether they are satisfied or hear about the results. You can find out as much as possible about what they liked, what not, and whether you can use them as a reference.

Following up too aggressively could come across as being too pushy. However, pushiness lays in the tone, in the execution, not in the actual initiative.

5.3.4 Meeting the Client

Before attending a meeting, find out in advance who else will be there, and what their function, rank and (purchasing) power is. Make sure everyone is at the same level of understanding about the further procedure.

To sell your goods or services to the prospective client face-to-face you need to bite the bullet. In order to be an effective sales person you need to know your product inside out. Since you are selling your own product that first hurdle should not be difficult to tackle. Next, you must focus on what the prospective client needs. You already did half of the homework here when you were marketing your product. As a result, you already are familiar with what's going on in the industry and what the needs, in general are. If you listened well and had a chance to read in between the lines you already have an inkling about what the client wants. Now, you must match your product with their needs.

A good sales meeting is one where both parties listen to each other. As a seller you need to listen most; you need to bring a solution to a problem that you must first learn to understand. You must not only understand the problem but also the goal of the client, what he wants to achieve regardless of the problem. To make life easier for you when delivering the product, and whom to contact internally in any stage of the sales contract, you must understand the structure of the organisation you are selling to. Who is the decision maker, who accepts the goods, whom do you report to as a consultant, who works with the final result, where do you submit your invoice, etcetera. Be prepared for any objections that can be raised so that you can effectively counter them.

A first impression is lasting. Avoid drinking, smoking or eating something that makes you smell before a meeting. Never lose your goal out of sight: that of selling. Be aware of your posture even before you enter a prospect's premises. Stand rather than sit in the waiting area, be ready when your contact arrives and immediately shake hands, rather than clumsily lay aside a paper. If you are nervous, gently hold the palm of your hand against cloth, such as your jacket, shortly before your contact arrives, so that your hand feels dry.

Little things that should not go wrong do occasionally happen and can turn a good meeting into a nightmare. Don't accept anything to eat if the seating arrangement does not allow for proper table manners or anything to drink if the way you are seated invites for spilling during your presentation.

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Equally important, a lost sale now is not a lost sale forever. A rejection is never personal. Sometimes the need doesn't exist or priorities are elsewhere. Sometimes situations change, which is something you will only find out if you follow up.

5.3.5 Closing the Sale

Aggressive sales techniques focus on "always be closing" or ABC. That may work if you are selling to gullible one-time buyers. However, if you want to build a long-term relationship with a client this will backfire. Even one-time customers that fall victim to this technique feel that they are cheated into buying the product and will not easily be satisfied. Instead, a prospect should sense that you understand his problem and care about helping him find a solution, rather than that you are just looking for a sale. You must convey the conviction that you can satisfy his needs. If you listen well you can immediately list the benefits, features and limitations of your product, geared to his needs.

A deal is near when the pace of the negotiations suddenly slow down after it first went so swiftly or the prospective client starts asking many questions. This means that he is making a final analysis or rationalising a decision. Even better, if the pace suddenly picks up the he is probably excited to move ahead. However, don't force the process. Certain steps remain critical, for instance a test run or a demonstration. You must give a prospect the opportunity to either confirm that he wants to go ahead or raise an objection – which is merely a request for additional information. Bear in mind that legal departments and purchasing/procurement departments often delay things because they have their own input. If you jump ahead you lose control of the negotiations.

5.4 Repeat Business, Return Customers

If you want repeat business from an existing client, ask for it. Make sure that the client knows all your capacities that can fill other needs. Identify those needs. You can be the attorney for the German market but if you happen to speak French as well, more work may come your way – if the client is aware of your additional language skill. You could consider reduced rate for future work. The least you should do is ask whether a client wants to be a reference or provide testimonials. Stay in touch, and after many years never forget names (your database or follow-up list is very helpful).

5.5 Selling to Government Institutions

Selling to government institutions or international organisations is often a time consuming process, governed by strict rules and procedures. First, governments are often required to have an open bidding procedure. Secondly, absent specific exceptions they often must grant the contract to the lowest bidder. Finally, they often have projects in place that prefer certain categories of people, for instance women-owned businesses, or businesses that employ a certain percentage of minorities. They can also promote certain industries, such as "green" businesses, or stimulate employment by preferring businesses from depressed regions. Cooperation requirements can be different. You may be required to deposit a bond or other security.

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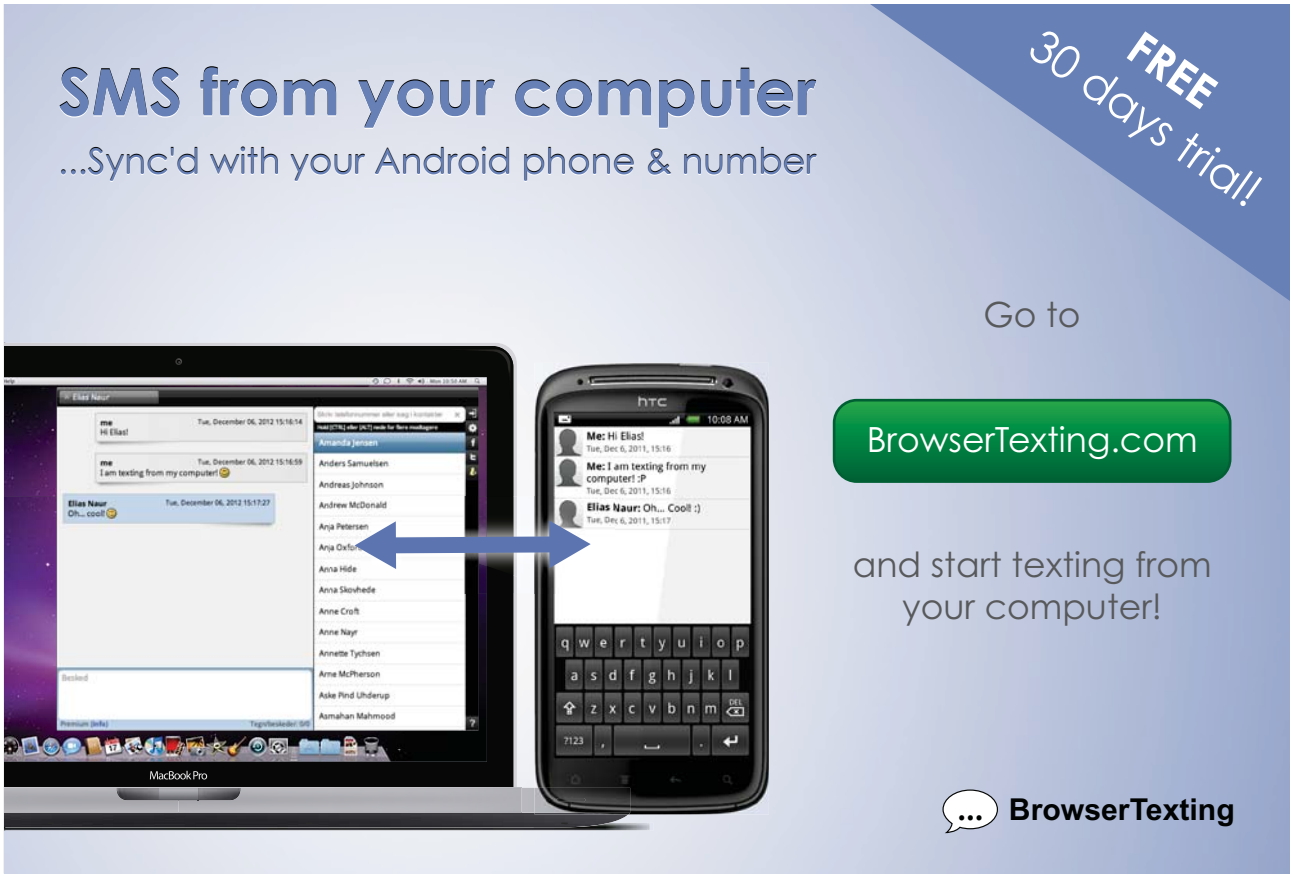
6 Rates and Quotes

One of the most difficult decisions is determining your rates. Quoting too high may turn off potential clients or result in time-consuming negotiations, yet charging too little may cost you your credibility. In both cases it costs you sales. Renegotiation is not always possible. In order to strike a fine balance you must first find it.

Rates for services can be determined in many different ways. You can charge a fixed amount for the entire project payable in instalments or in a lump sum. Alternatively, you can charge an hourly or daily fee, or a commission. You can also agree on a combination of these: e.g. a low fixed amount, plus expenses, plus a commission. In a long-term relationship it is possible to work on a retainer or monthly flat fee basis. In that case there will be some months that you will be doing more work, and some in which you do less work. Throughout the year it should even out. You should keep track of the hours so that you know at the end of the contractual period whether it has been worth your while or whether you need to re-negotiate the rate. Your client will probably do the same thing.

6.1 Pricing

To determine pricing that is reasonable for both you and your client you must know your own needs, the requirements of your client, and other offers in the market.



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Your needs include your overhead costs and the estimated costs you incur to complete the project. Typical examples of overhead costs are rent, utilities, office equipment and furniture, stationery and supplies, postage, couriers, telephone and internet, clerical help, insurances, travel, meals and entertainment in as far as rent and utilities related, memberships of professional associations, subscriptions, continuing education, and your taxes. Costs to complete the project includes any additional costs you would otherwise not have incurred, such as special tools, project related travel, etcetera. Finally, you need the equivalent of a salary: your profit.

The client's needs include the specifications to be met as provided (preferably on paper) by the client, the uniqueness or exclusivity of your skills, time frame, in short the reason why he hired you.

Market considerations are the current market rates and the willingness of competition to go below that rate. If the client commands a lower fee, propose to take some value out of the proposal rather than just working for less money. If you need to hire subcontractors or other additional help your pricing should reflect that you are more valuable than the help you hire. If you must perform certain activities yourself you should add a premium.

6.1.1 Hourly Rates

Hourly fees don't make you rich. You know how many hours you can work in a year, times the amount you charge, and that's your maximum. Deduct business expenses.

Business schools teach a standard formula for determining an hourly rate: add up your labour and overhead costs, add the desired profit, and divide the total by the hours you worked. Voilà, there is the minimum you should charge to pay your expenses, pay yourself a salary, and earn a profit.

For an independent contractor this may be too simplistic. You may be able to get away with this if you are one of the large consulting firms, or a famous person who after a long public career enters the lecture circuit, but as an independent contractor you will find yourself pricing yourself out of the market and out of work.

Instead, determine your annual desired salary and use that as a basis. Divide that number by the number of hours you expect to be working on any number of clients. With the resulting number in mind you can determine at any time in a year where you stand, what projects you can or still have to take up. Consider that in some seasons you are extremely busy, in other seasons you have little work at hand.

Next, you need to determine how many hours you will work. Assume a 40-hour workweek. In reality you will end up working far more than this, but this is the number of hours that you should be able to bill your clients. If you take two week in a year off you will be working 50 weeks, times 40 hours equals 2000 hours.

These are not all billable: if you stick to a 40-hour work week you should deduct about 25-30% of the time for administrative purposes, such as bookkeeping, billing, networking, continuing education, etc. This leaves you with less than 1500 billable hours. You will have to earn your salary in that number of hours. In the alternative, if you want to bill all 2000 hours, expect to add the difference to your 40-hour workweek.

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Finally, you must determine whether this figure is realistic. Your competitors may charge different amounts. Their overhead costs are different. Others may be willing to work more hours or for a lower salary. You must find out this information in many different ways, e.g. from other independent contractors you know, professional associations, trade shows and business conventions, clients, or more generally internet resources.

6.1.2 Rate Variations

That notwithstanding, if you are highly skilled, perform work of unusual high quality, or possess very unique skills you can command a higher rate than your competitors. Asking too little may make you seem desperate or not credible, often an indication that your thoughts are elsewhere than your work. Many clients believe that they get what they pay for.

You can also base your rate on value rather than task. Ask what the client's goals are and what he wants to achieve, then describe the end result in the proposal.. Don't stop with what the client wants but proceed to what he actually needs. You may need to educate the client here.

It doesn't hurt to charge a lower hourly rate for administrative activities. There may be hours that you do not actually bill. This should be reflected in the invoice. If it does not show on your invoice nobody will notice that you are doing a favour. You might think that "they know" that you worked all of "that Thursday" to finish the quarterly demand, but by the time your invoice has reached the independent payables department nobody remembers. Instead, itemise the hours you do not bill, and charge a lower or zero rate.

6.1.3 Daily Rates

The concept of daily rates is the same as for hourly rates. For long-term projects assume an 8-hour work day; for short-term assignments assume 10 hours. If a client hires you to meet an important deadline or rush order, you should be lenient and expect to work longer hours. Adjust your rate accordingly.

In your quote you must indicate what you believe to be a reasonable number of hours on which you base the amount. Whereas you may strive to an 8-hour work day, your client may otherwise interpret a day as a 24-hour period in which you have 10 to 12 or even more to get the job done. Your rate should be based on some number in between to achieve a reasonable reward.

6.1.4 Flat Rates and Retainers

Whether for goods or for services, you can agree on a fixed rate. In this structure you are often paid a large percentage, say 30%, at commencement of the construction, 40% at some point mid-way (called a milestone), and the remainder at delivery, subject to the necessary inspection and approvals. Other fixed arrangements may be spread over more terms tied to several milestones.

If you charge a fixed amount for a project you should estimate the number of hours you expect to be working on the project, the activities of subcontractors and their charges, and determine what you need to earn per hour to make it worth your while.

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Under a retainer agreement the client pays you in advance for work to be specified later, or hires you exclusively for a certain period of time or to achieve a certain result. You will be paid fixed amounts at regular intervals, and you will be reimbursed for reasonable expenses. In return you are always available to him, regardless of your other clients or activities. For instance, "headhunters" are often paid a percentage of the salary of the selected candidate (plus expenses). Under a retainer agreement they are the exclusive search firm, and are paid monthly sums, plus expenses, in advance. The total of monthly payments, or a part thereof, is deducted from the final payment once the candidate has accepted an offer.

Any fixed rate arrangement work best if you control the entire process, from design to delivery. The more your work depends on interference by the client, the more the client has an influence on the conditions that eventually determine the final payment. The more you depend on third party providers, the more you depend on their reliability for final delivery. If you must rely on third parties or on external technology, the best way is that you base the fee arrangement on an Estimate. Your quote with the estimate should include a fee re-evaluation clause.

You need to describe the work done under a retainer agreement rather precisely as not to end in a situation where you do more work in a given month than you are being paid for. Especially if your client is a large organisation you can easily become the go-to person for matters that play in your field, under the motto "it's been paid for anyway", even if it isn't. Not everybody in the organisation is familiar with the details of your arrangement. Even if you have a retainer you should meticulously keep track of the hours you work for a client. This is your only proof in case you need to remind the client of the limitations of your project or need to make amendments either in scope or pay.

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6.1.5 Contingency Fees and Performance Pricing

A contingency fee is an incentive that is determined by the success you achieve. It is a bonus which you can sometimes negotiate in addition to any other type of payment scheme. A simple contingency fee is a completion bonus.

Performance pricing is compensation based on results. You can negotiate this for the full payment, partial payment or as a bonus. The performance compensation is indicated as a percentage (equity-based structure).

If you work according to either pricing scheme you must have all terms in unequivocal writing, so that no doubt whatsoever exists about what you are entitled to, and when. The factors that trigger the reward must be clearly set in advance, leaving no room for interpretation or dispute.

Tying performance or contingency to profit is not a reasonable proposition because profits are often manipulated for tax and bookkeeping purposes. Instead, you should tie it to something more equitable, such as achieved savings or increased sales.

6.2 A Note on Profit

Whatever the basis upon which you calculate your rates, you should not count your salary as profit. Salary is one of the costs of doing business. If you need to hire an administrator or receptionist you would also consider his overhead costs. As a sole proprietor you may occasionally overlook the differences but if you are incorporated this becomes very clear. Moreover, you do need a salary component: you need an income.

If you confuse income with profit and you operate at a loss, even seasonally, you won't be able to survive. Several personal bankruptcies stem from this misconception. Profits are usually expressed as a percentage of total costs. Activities that entail higher risk often warrant higher profit rates; the chances that things go wrong and end up in a loss are larger than in less risky ventures. You cannot base an income to run a household, let alone a business, on this equation. Profit, instead, is the reward that befalls your business, not you personally. It provides funds to further develop your business or to overcome slow periods that you will incur a loss. These periods occasionally last longer than you think.

6.3 Renegotiating the Rate

Agreements often seem to dictate that rates or formulas are set in stone. However, there are circumstances under which you need to change the rate. Market circumstances can change. Your costs of doing business can increase, either slowly or abruptly. Your client is continuously asking the impossible. For ongoing projects, the contract should provide for a rate adjustment or reimbursement of expenses under certain conditions.

As a rule of thumb, if the market allows for it, you should increase your rates about every two years. A rate change is best announced in writing directly addressed to your clients. You can grab the opportunity to incorporate it in a marketing-type "success" letter to explain the increase. Explain fee increase, or in case of a fixed rate explain ahead that money may run out soon.

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Even though you must be prepared for non-acceptance, if your rates are reasonable and the quality of your product is good you will meet surprisingly little resistance. But there is always a client who balks at anything; the client who always "hasn't expected" something or who wants you to mend the synergies of your operation solely to their own benefit. Prepare your argumentation.

Short-term projects usually do not warrant a rate increase. If it is needed your offer probably was too low in the first place. However, if an extension or next assignment is being negotiated you can refer to different circumstances that warrant a different price.

Sometimes you must lower your rates. This may be necessary to target new clients or to overcome a slow period with a negative cash flow. If February is a typical slow month, the end of January and early March are usually too. You can consider "rewarding" your clients, or a careful selection of clients, with discounted rates during those months.

6.4 Proposals, Quotes and Offers

After your sales pitch was successful you will send the prospective client a proposal. Although often used interchangeably, technically there are differences between proposals, offers and quotes. A quote is your offer to sell your product as it is at your best price. An offer is more a proposition to enter into an agreement which you expect to be accepted. A proposal involves a larger picture and apart from the price includes specifications that fit the client's specific requirements. Here, however, "proposal" is used to describe each and any of them.

A proposal should stipulate the outcome the result of the project, as well as how progress will be measured. Don't commit to a proposal unless there is a clearly defined task or problem. You must show that you understand the client's problem, and address that issue only. You cannot divulge too much information and provide a blueprint or immediate solution, as you will write yourself out of a job, gratis. You can't wander off and give a general description of the buzz in the industry insofar as it is irrelevant, either.

Before even making an offer you can vet a potential client. Dun & Bradstreet, Hoovers, Veritas, your bank, the Chamber of Commerce all are sources for more or less reliable information. Most of these services depend on information from public registers, and as a result are always a little bit behind. But they provide a reasonable expectation about financial health, payment discipline, creditworthiness and reputations of the client.

6.4.1 Request For Quotes

Some companies work with RFPs or RFQs. These are acronyms for Request For Proposal, or Request For Quote. RFO is sometimes used for Request For Offer. This is a larger organisation's way to standardise the various proposals they receive. Due to the standardised format they know exactly where to find criteria they deem important at any moment in the section process without having to go through the entire document. It is therefore important to stick to the format.

6.4.2 Drafting a Proposal

Proposals vary from one-page summaries to multiple page detailed outlines. Your writing skills are important: if all goes well your project hinges on this legal document.

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Simple, formal or RFQ, all proposals are written according to the same principles. All begin with a short one or two paragraph summary. Formal proposals include headings and table of contents.

Next is a description of the background or current situation of the issue to be addressed. This section describes how you understand the client's reason for hiring independent contractors. Here you specify the outcome the client desires and the scope of your activities.

Subsequently, you describe the solution, or a method for a solution. You can be more elaborate in this section and could include how you want to move the client from the current situation to achieve his goal, the uniqueness of your approach, and more. As indicated above, avoid giving an exact roadmap or solution for free but do describe what the work does (and does not) entail.

A separate section shows what you will supply to the client in tangible form. This includes reports, forms, documents, programming code, training materials, certifications, etc. It also specifies what the client must provide you with to come to a successful conclusion of the project.

Next, you describe how you are different from your competitors and what sets you apart, as well as what additional resources, tools and services you offer.

Pricing warrants a separate chapter. The proposal should state the rate basis and estimate of the total costs of the project. Often, you base your quote on information provided by the client, such as specifications or budget. State that basis clearly. If the client isn't clear about a budget, keep it reasonable and within the scope of work.

The proposal should of course include a time frame: date of delivery of preliminary findings or prototype product, dates or timelines of subsequent stages, milestones and date or timeline of final delivery. These have to be exact, or exactly calculable.

The proposal should also give a time limit for acceptance, lest it ends up on the back burner and will be accepted half a year from its submission – when you neither have the time nor interest any more.

A proposal can contain additional materials to support its claims or promote its chances. Brochures, charts, references and such that do not belong in the proposal but could entice a positive decision can be added as appendices. Do not rely on a section in your cover letter, since that letter does not always follow the proposal through the decision-making chain and isn't checked off for relevant information.

6.4.3 Submission of a Proposal

Submit the quote with a short, professional cover letter. Even if you personally know the recipient, the letter may be copied to others within the organisation and will become part of a file on the project.

Always follow up on a proposal – if submitted by mail within 7 to 10 days, if submitted by courier or electronically after approximately two days.

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6.4.4 Tender

As an independent contractor you will likely not be bidding on tender offers. A tender offer involves a public, open invitation to submit a proposal that follows stringent rules and often involves submitting a down payment or fee to show that you are a serious contender.

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7 Contracts

The relationship between you and your client is a based on an agreement. You can name it a consulting contract, an outsourcing contract, a production contract, a research or a development contract, or anything in that line – whatever the title, it reflects that it is a contractual relationship between an independent contractor and his client. You are the independent contractor. The party that is giving you the assignment, the job, the gig, the project, is called the client. That is important, because if you call him your boss, your employer, or anything that reveals an employment relationship, you potentially jeopardise your independence status.

In an ideal world all contract provisions are the same. Indeed, in some industries standard contracts exist that govern certain activities. However, some clients will want to work with their own template agreement. You will end up with all kinds of different contracts and agreements that each impose different terms, dates and rates at a glance. After a while, you won't know where to find what in which agreement. Therefore you should make an overview of the most important provisions of each contract. These provisions include deadlines, timelines, due dates, payment dates, and rates.

You should review a contract with an attorney before you sign it, or even in its draft stage. In countries such as the USA this is a common procedure; in most European countries people tend to see an attorney only after a problem has arisen.

7.1 Written Contract

A written contract serves to avoid misunderstandings. Both parties' basic assumptions are written down. The contract describes the relationship between you and your client, describes the scope of work, payment conditions, and liabilities. It defends you in case of honest mistakes. It may include warranties and always includes the scope of the work: it defines what you will be delivering to the client and what not. A written contract also serves to avoid "creep" – the phenomenon by which, slowly, more and more tasks are added without your rewards being adjusted. The contract terms should incorporate the terms of the accepted proposal.

An oral agreement can be equally binding but provides no proof of what has been agreed. Numerous law suits have been filed where the parties later disagreed about what has been said by whom. Simple misinterpretations may become costly if a dispute becomes a yes/no dispute that cannot be resolved satisfactorily for either party. A written agreement is essential.

Moreover, some transactions are not valid or cannot be enforced without a written agreement. These types of transactions are different in most countries. In France the price of goods or services should be determined from the agreement. In the USA contracts that cannot be performed in less than one year must be in writing. In most countries, transfer of intellectual property rights must be in writing. More importantly on an operational level, auditors will want to see written proof of what has been agreed.

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7.1.1 Basic Contractual Stipulations

The contract should describe the services to be performed in as much detail as is possible, without telling the independent contractor how to achieve the result. Detailed specifications are also allowed, but merely to describe end result and test procedures, or quality guidelines and specifications or procedures that are part of the end product, or procedures to safeguard safety or confidentiality. Important, of course, is the independent contractor status. As an independent contractor you have the right to control how you arrange your work.

If a description is very long you can refer to an addendum to the contract (and indeed attach the addendum to that contract). Like the proposal, the contract should state what you will deliver when; what support, specifications or documentation the client must provide, and whether or not you are allowed to use subcontractors.

The contract should also define the end of the project, both the anticipated end and circumstances that allow and don't allow early termination or cancellation. If you agree on a payment upon completion, stipulate clearly what completion entails, who has to approve the work, in writing, within what time. If you complete your work on March 1 a person with the capacity to control it on behalf of the client must confirm approval and acceptance within a few business days. If the contract doesn't stipulate how much time he has to control, check and verify it, the procedure can be stretched for months, even if the client finds nothing wrong. You have no recourse until you receive approval.

Clauses governing payment terms such as hourly fee or fixed rate are important, as are reimbursement of expenses and the method of payment (upon invoice, in instalments, upon delivery).

Contracts also provide for a dispute resolution mechanism and indicate who pays dispute related expenses. Arbitration is often faster than court proceedings but a fair process isn't always guaranteed unless the rules of a major arbitration organisation apply and that organisation administers the proceedings. A single arbitrator is different than the more costly option of 3 arbitrators (both parties appoint one and both arbitrators appoint a third arbitrator-chairman).

7.1.2 Limiting Clauses

Contracts often include non-compete clause and non-disclosure or confidentiality clauses, as well as clauses to hold harmless and indemnify. Non-disclosure should be a straightforward matter: you will not divulge any information about the project, the client and anything related to that to any third parties, ever. As a professional you will understand and by abide this requirement.

Non-compete clauses may prohibit you to work for other parties in the client's industry. This is a tricky issue. An overbroad non-compete clause can be void but deter you from approaching other potential clients nonetheless. You should review it with an attorney. If your client is a large corporation you can try limiting the scope of the clause, especially if your independent contractor business primarily serves one industry.

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Insurance clauses often include provisions to hold harmless and indemnify the client. This means that if something goes wrong you agree to represent the client's interests in as far as that wrong can be attributed to you. These clauses can be limited or all-encompassing and usually include losses and liabilities resulting from death, injuries, theft or damages to property whilst and after you are working on the project. In any event you should insure yourself against the conditions this clause refers to, and discuss it with an insurance agent or broker.

You can restrict your liability for the client's lost profit or damages in a liability clause. You should limit your warranties - or "representations", which means the same! – to the basics.

7.2 Intellectual Property and Trade Secrets

Without getting into details, as an independent contractor you have certain rights resulting from your work. In some countries the rights remains with you, whereas in other countries the client on whose behalf you worked and who pays you retains those rights.

Authors and artists in principle own the copyrights to their product. This includes written works, but also music, art, design, graphics, photographs, computer software, films or video. If you are hired to produce a "work for hire" the client can stipulate that the ownership resorts to him. Although the rules differ per country transfer of intellectual property rights, whether yours or the client's, usually has to be unambiguously stipulated in a contract in order to be valid.

A trade secret is know-how or information that is not generally known by others outside the business you are working for that provides the owner of it with an advantage in the market place. The information can be anything and certainly includes customer databases, product formulas, processes and procedures, business and marketing plans, internal reports and such. Trade secrets and non-disclosure agreements are related. If the owner of the trade secret takes reasonable steps to protect the know-how or information several countries protect the owner to prevent disclosure. As an independent contractor you may not automatically be bound by these rules unless you have signed an agreement stipulating non-disclosure or secrecy.

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8 Administration

Administration. That's where your savings are: cost cutting by avoiding audits, late fees, fines, penalties, double or missed payments, missing receipts, searching for that one particular piece of paper or wasting time on the phone with that person who doesn't seem to understand that you actually did make that payment or send that document – somewhere last summer, or maybe in spring.

Administration means all data that you have on paper (or electronically), including drafts, that pertain to your business. Even before you start you should keep all proof of payments for expenses that you make for your business. You should also record of the number of hours you work for your business for proper billing and as proof to the tax authorities if they require a minimum number of hours in order to treat you as an independent contractor.

A good administration benefits your business, too. You can quickly view your expenses, your sales, profit and other finances. The administration is also the basis of your tax filings.

Often a family member does the administration, which is also a way of involving the home front in the business. Others let a bookkeeper or accountant do the job.

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8.1 Business and Personal Administration

Keep your business administration separate from your private administration at all times. If you buy a computer in your business but keep the warranty papers with the warranties of other items in your household, such as your refrigerator or a hair dryer, this may raise a red flag upon which an auditor may investigate your expenses, not only those related to that computer but also to other items that can have a dual household-business function.

Before making an overview of your expenses you should have your private administration in order. Once you have that settled, one or two hours per week should be sufficient to keep up your administration. Bear in mind that administration is not a purpose onto itself. Avoid spending several hours in a day updating spreadsheets, pulling out bank records and writing scenarios to create the world's most perfect administration.

8.2 Financial Administration

Financial administration serves two basic goals: keeping track of your income and expenses, and collecting financial information necessary for submitting your required filings such as tax returns and annual reports.

Keep receipts of every payment and every expense. If they are printed on fading thermal paper, make copies. Dedicate a particular day in the week or month to post receipts in a ledger on a regular basis. The larger your business the more often you should do this. A ledger is just a summary of income and expenses, and of anything else you wish to keep track of. You can create your own spreadsheet, rely on your bookkeeper, or use special accounting software. You can base financial reports on the ledger's information. Reports include cash flow analyses, profit and loss forecasts, balance sheets, as well as overviews that show which products sell well, which clients pay late, or what extra sales you need to cover for a larger office or hiring an assistant.

For tax and social security purposes you must maintain and retain records of financial information, tax returns and other official forms for a certain period of time, often 7, 10 or 15 years, or even longer . That period is different in every country, but it doesn't hurt to keep the documents a few years longer than the legal minimum. You are responsible for legibility of any document you store; if you change software programs you must retain the old program for the same duration so that documents can be read several years down the line.

Chart 2: Information your financial administration should show at a glance:

- Monthly income totals
- Business operating expenses
- Accounts receivable
- Bad debt as part of accounts receivable
- Due or payable invoices
- Current sources of income
- Outstanding orders and investments in supplies
- Pending deliveries
- Total value of assets
- Profitability
- You can also add goods or services that are most in demand and your best and worst clients.

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Chart 3: Income and expenses should be recorded and grouped as follows:

- Cash receipts in a journal, plus receipts or invoices
- Accounts receivable in a journal, plus invoices
- Business expenses, plus receipts
- Cash expenses, plus receipts
- Automobile expenses, plus receipts
- Entertainment expenses, plus receipts
- Client expenses plus receipts, in as far as reimbursable

8.3 Operational Administration

Your operational administration includes information about the services and goods you purchased from others, as well as bank and credit card statements, contracts and agreements, overview of intellectual property rights, licenses and such. Correspondence is kept, as is information about software and databases you use. If you use a cash register or point of sale system you should realise that it is part of your books and records, such as suppliers, accountant, shipping companies, banks, subcontractors and so forth.

Your client database requires continuous updating and is always ready to use. If you want to send out a direct mailing campaign you should be able to generate the addresses with the proverbial press of a button. You do not have the time to manually make numerous corrections to your Christmas mailing list early December.

8.4 Administration Survival Skills

There is nothing wrong with storing your receipts in a shoebox. Even if your bookkeeper finds it funny, he is getting paid for the extra work. As long as he can sort it out a shoebox is a better solution than having to rummage about in the car to find some fuel receipts under the seat and hope you haven't missed any just before your meeting with the accountant. Meanwhile, let the bookkeeper teach you how to make life a lot easier for him (and his services a little cheaper for you). The larger you grow the better your filing system needs to be.

When relying on your handheld device, consider that thus far everybody who uses these devices has experienced at least a few occasions where information could not be retrieved. Most have lost important information. In short, if rely on these devices you should back them up on a very regular basis, preferably with a copy in unrelated software (e.g. address book also in Outlook or another program with personal information storage facility). Before you update or upgrade to new equipment, back up and hope for the best.

To help you further to keep up with your administration, you can do the following:

- Keep an "administration day". Monday mornings often work best: they are not ideal to reach clients and prospects, and you can set out a strategy for the entire week. Fridays are bad: there is no more time left to resolve issues before the work week ends and the earliest moment you can generate action is… Monday morning.

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- Check email two or three times a day –early in the morning, an hour before you leave, and once in between– and respond the same day. Act upon it immediately. If it needs a later action, flag it or highlight it so that it shows up in a timely manner.

- Open your mail every day. No exceptions. Deal with it right away. Keep important mail in dedicated folders or binders, per subject. If the matter still needs attention, keep it nearby or on your desk so that you will not forget it.

- Throw away direct mailings immediately, but do take the time to tear it at least in half or shred it. Direct mailings are an unwelcome distraction and by the very nature of a mass-mailing rarely have something to offer that is designed to fit your needs. Hang up on incoming sales calls, politely but resolutely. You're running a business and have more important things on your plate.

- Verify your bank statements upon receipt and store them in a separate folder or binder.

- Verify your bank activity at least once a week for totals, pending payments and incoming payments.

- Make a copy or PDF copy of your bank and credit card account statements at the end of each month, or at least at the end of each quarter and end of your book year (which is usually 31 December).

- Automatic payments help to avoid paying late. Make sure that you have enough money on the account.

- Write down important deadlines, including certain payments, in your agenda.

- Update your administration once a week.

- Keep your warranties, software licenses, customer numbers, etc at hand.

- If in doubt whether an item is a business expense or not, treat it as one and let your bookkeeper or accountant make the final decision.

- Grin and bear. It's all for your greater cause.

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9 Communications with Clients

Key elements of client satisfaction can be found in communications. Communications with clients include all contacts you have with them, from the first marketing or sales effort to the follow-up after your final invoice. In any communication you must be specific and to the point. Information must be relevant and accurate. Findings or claims must be supported. Focus not on problem solving but on improvements. Problems can usually best be solved within the organisation. If that is not possible it means that there are other powers at play. These are part of the problem and need to be addressed as well (unless your mandate stipulates that you stay clear from them).

It is equally important that you always convey your message in a clear manner. Avoid using jargon. You'd be surprised how many people confuse PR and networking. An exception can be made if the jargon is commonly used in the client's industry and the communication pertains to that very industry. For instance, if you report to a metallurgic company about a metallurgic issue you can use metallurgy industry jargon. However, if you report to that metallurgic company about a legal matter, do not assume that the client understands legal jargon (unless the communication is solely destined for the company's legal counsel). Write in a manner that the client, not your peer group, can understand it.

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9.1 Client Satisfaction

You may feel that clients often need to be held by the hand, even the ones that are so being admired. Indeed, you are hired for your expertise, the skills and quality you provide. The client may rely on you and must feel comfortable working with you. You need to nurture that feeling, even more so if you get that hand-holding message.

Increasingly, maintaining relations with a client goes beyond billing hours. At the same time, independent contractors are hired to handle a client's work more broadly than just to solve one particular issue or fulfil one particular order. As a result, trust is more than ever the foundation of the relationship between you and your client. Trust works both ways. You have to deal with each other in a manner that is fair and honest for both. You have to build and continuously improve a long-term relationship.

Meanwhile, treat people with respect, address them by the name or title they prefer. Don't give the impression that you are indifferent, but show that you care. Don't expect privileges because you are the outside star. Small talk builds relations. If you work on site try to get a hold of the local culture and blend in the client's organisation. If you are part of the team, you represent the client as if he were your employer. Outsiders should not be able to sense that you have a different relationship with the client than its employees have.

Post-gaming, looking back at a project after completion of any stage, includes your after-calculations to see what you gained or lost on the project, as well as reviewing what could have been done differently. This can be positive and negative, for instance where and why things took a wrong turn, or where and how a break-through success was achieved. Both you and your client can use this for future reference.

9.2 Reporting to Clients

Keep the client informed at each stage of progress; never leave them in the dark. Warn ahead if you see problems arising. If you have nothing to report because it takes a long time, let them know that you are working on it at the end of every week or every two weeks.

In any report to a client, oral or written, use a professional, tone. Be specific and to the point. Always give a summary of your assignment, its circumstances and the objectives. Provide details about problems you encountered. You can consider highlighting your findings and your accomplishments to sell your services for a future project, but be careful not to overdo it.

Interim reports provide an estimate of work completed so far and explain the next steps. An interim report includes recommendations about issues you encountered so far. As the remainder of the project can hinge on these recommendations you should suggest their implementation. Focus on the benefits for the client and state how he already benefits from your efforts.

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Any report or other document that is not submitted in a paper form should be in PDF or similar secure format. Word processing and spreadsheet documents can be changed by any recipient, even inadvertently. They can also be damaged or distorted by poor electronic transmission. Worse, computer software programs can become obsolete, or a client's older version or the program cannot read documents drafted with your newer version of the same program. PDF files can always be read with a PDF reader, even many years down the line. Inexpensive software applications allow you to easily convert any document into a PDF file with the "print" command.

9.3 Fire your Client

Realise that early in your independent venture you accept different clients than in a later stage. As you become more established your finances become less precarious and you can afford to be more selective. Newer business is more in your line with your specialisation or adapts more easily to increased pricing. You should always continue to treat your first clients well. If older clients pay substantially lower rates or are no longer within the realm of your activities, at some point you may have to cut the cord and hand them down to colleagues. Even if it is hard to part and you chose to keep them you should realise that after a while they will hinder the efficiencies of your business.

Clients you actually need to get rid of are another issue. At times you will have legitimate reasons to fire a client. You fare better without clients who waste your time, who give you a message that they think you're not worth the price you charge.

Clients who consistently pay their bills late need to be dissed, no matter what. They do not take you seriously. If a client asks you to do something illegal or unethical you should step back right away. Clients who by default ask for a reduced rate, sometimes with the reasoning that working for them gives you exposure that will bring you other clients or even that it is an honour, are not realistic. Similarly, those who enjoy trying to sneak in additional tasks without paying extra or that always cancel meetings at the very last minute can be a pain. You can charge an extra fee but that does not make up for your wasted time. As impressive as having a renowned designer as a client may sound to the outside world, if you can't deal with him, just don't. Insider secrets are often more widespread than you realise: within the industry everybody knows working for such and so person or company is a pain. If you last longer than anyone else before you it may actually hurt your business: you are perceived to be desperate and in need of the business despite the lower pay and abusive conditions.

Also consider that working as an independent contractor means that you work on a personal basis. Sometimes characters simply don't mix well. A healthy client relationship should be based on mutual respect; if that is lacking on one side, someone needs to cut the cord before it becomes unbearable or embarrassing.

It is not easy to fire anyone, let alone a client, but if they hamper your growth you must part. How to cut the cord depends on you, the particular client and the situation. In any event it should be civil. If you keep your cool the client has no reasons to badmouth you. A professional departure requires that you review your contracts before giving notice and make sure you met your legal obligations. No more, no less. Collect your documentation, including anything that supports the reasons for severing the ties and anything you have tried to prevent it. Draft your final invoice and a termination letter. The letter should be short, formal and professional. You can refer to contractual provisions or state the reason, but in no more than one or two short sentences. Avoid being sued, e.g. for breach of contract.

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Once you are ready, send the letter to the department or person that is your contact, in conformity with the contractual stipulations (e.g. by registered letter to a specific address) and, separately, the final invoice to the relevant department. The final invoice must clearly state that the amount is payable upon receipt. The invoice should not mention the issue. Say no more than strictly necessary.

As a professional, do not volunteer the issue to other clients or suppliers or even colleagues. Not only may it lead to a law suit for libel, but also because each and every business occasionally encounters unpleasant situations and there is no need to tout hostility around.

9.4 Losing a Client

Sometimes the client fires you, or the deal that was as good as etched in stone falls through. It feels even worse when this happens for reasons that are beyond your control. For the continuity of the relationship with the (prospective) client you must maintain your professionalism and look at it objectively. See the decision through the eyes of the client, not your own. Find out why the client decided to drop you. Prepare the conversation well, call, and plainly ask. But remember that you already lost the project. If you keep a professional tone there is a slight chance that you regain the client, or that you will work together on a next occasion. However, there is no need to defend yourself or –worse– plead and beg. If you resort to that you close the door forever.

You can also discuss it with a neutral third person who is familiar with your work. A neutral person can sometimes place things in perspective and help you understand the mechanics for a future occasion. It may open your eyes as to what systems you need to put in place, what clients or industries to approach differently, or what requirements you did not see.

To be effective you must be very honest with yourself and with the other person. This is one of the few occasions that whatever you say does not have a sales or marketing aspect, but rather a quality or policy aspect.

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10 Billing

An important part of doing business is sending timely invoices. As an independent contractor your income depends on you getting paid for your goods or services. Send invoices promptly and be diligent about collecting payments. With regard to legal effect, most countries these days do not distinguish between paper invoices and electronic invoices, as long as they are submitted in a timely manner to an address that is acceptable to the receiving party. Be prepared to follow up on invoices to get paid, and factor the time you spend tracking down payments into your pricing. Consult an accountant and set up a system to track your revenue and expenses. You can also find free or cheap software online.

Payment to you for services rendered or goods delivered by you should never, ever be conditional to or dependent of payment of the client by his debtors. When you have fulfilled your commitment you should be paid.

10.1 Invoices

Invoices must be dated and be numbered, and specify the total and due date. You can make the number as simple or as complicated as you want but it must be unique and in sequence. Invoices must be specified, meaning that they should indicate more or less exactly what product you provided in what quantities, and where it was delivered. An invoice should also specify the total amount and the due date. Even though technically this comes after the fact some countries require that the terms of deliveries be either included as a summary or referred to.

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Chart 4: European Union requirements for invoices:

In the European Union invoices must show the following items, mainly for VAT purposes:

1. the date of issue
2. a specific number;
3. the VAT identification numbers of both the taxable party and the client;
4. the full name and address of both the taxable party and the client;
5. a description of the goods or services;
6. the quantity of goods supplied or services rendered;
7. the date of goods or services were supplied;
8. the place of supply of goods or rendering of services;
9. the taxable amount, specified per rate;
10. the applicable VAT rate;
11. the VAT amount payable;
12. the total amount payable;
13. if an exemption applies, a reference to the provision that justifies the exemption.

Member state can stipulate additional requirements.

In exceptional cases the EU Regulations Concerning Invoices (2003) also requires the following:

14. if it involves the supply of new means of transport, the particulars specified in Article 28a(2)
15. if a margin scheme applies, reference to Article 26 or 26a;
16. if any provisions of Article 28c(E)(3) apply, an explicit reference to that provision as well as the VAT identification number of all parties involved in the transaction.

You should send invoices on a regular basis, e.g. at the end of the month. If you let too much time lapse between date of delivery and date of invoice large organisations will not always be able to pay you within a reasonable time, as the invoice can sometimes be scrutinised by a special department.

10.2 Collection

If a client doesn't pay on time, take immediate action. After all, revenue equals your income and that is at stake. A first late payment can be addressed with a friendly reminder, in writing with follow-up by telephone to the billing department or your contact person. When money is involved relationships often take a slightly different intonation. Remind yourself, and if necessary the client, that you have a professional relationship. Just as the client can require you to clarify billing items you may ask about being paid.

The initial stages of collection are purely in your hands. The result of any further proceedings depends on how you handle it in the beginning. Nip problems in the bud. The longer you wait, the more complicated things get, the more you have acquiesced, others have prevailed, and the less serious your case is taken. Try to solve the issue informally, but confirm anything you agree on in writing – immediately. Taking action immediately can give you a slight chance of getting your invoice towards the top of the pile.

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Signals that a client is in financial trouble is that bills remain unpaid, other vendors or suppliers begin to complain, deliveries take place COD (cash on delivery) rather than on invoice, or vendors suddenly don't sell to the client any longer.

Even if you don't want to take the tough road, remind yourself that once a debtor doesn't pay the law often requires you to provide a reasonable term to fulfil his obligation. This means that you must extend payment another 30 to 60 days on top of the 30 to 90 days that the invoice or law already stipulated. On top of that you must demand and notify your debtor in registered or certified letters, which you should draft carefully. Thus, you can easily wait half a year before seeing some money, and if the payment is really that swift and the amount is more than anything between 10% and 50% of what is due, the law still thinks that the debtor is behaving properly.

Collection usually involves legal procedures in which you have to give the debtor a reasonable time for payment, reminders in writing, and requires other formalities to be satisfied before you can get a court order. Consequently, all communication about payment must be in writing. No exception. If you make a phone call, write a detailed note, including date and time, and name of the person with whom you spoke. These will be necessary to prove the existence of the debt when you have to obtain a court order. With a court order you can proceed to a collection agency.

Depending on the country attorneys can assist you, either in the entire process from pre-court collection efforts to court proceedings and final collection or registration of debt. In other countries you need an attorney for the law suit, a bailiff for the official expediting and a collection agency for the actual collection of the money, who all charge a fee for their efforts. All in all, it can cost you at least one-third of the outstanding sum – and that is if the full amount can be collected.

10.3 Payment Incentives

In most of Europe payment terms are often 60 or even 90 days after receipt of an invoice. In the USA payment usually takes place within a month. Certain industries also maintain longer payments, such as 60 or 90 days, and are notorious for late payments. That being said, a first payment to you as a new vendor to a large corporation can take a little longer, as you aren't set up in the system yet. A "little longer" should not last longer than a month.

You can offer incentives to speed up payments. Don't be too generous. In an industry where monthly payment is the norm, offering 1% discount for what is basically timely payment is a waste of money – 12% on an annual basis! Borrowing from the bank is cheaper. But in an industry where 90 days is the norm, especially if you consider e.g. a late payment history of a client, offering 1% in exchange for prompt payment can be worth your while. In that case a bridge loan from the bank costs more and certainly involves more time-consuming paperwork.

Make sure to calculate any rebates in the price to avoid becoming a thief of your own wallet.

10.4 Invoices and Financing

You can partly finance your business based on your invoices, at a cost to be paid immediately. On the other end of the spectre, if you are not being paid immediately, you are financing someone else's business. You can also charge late fees and finance charges, provided that you stipulate those in your terms of delivery or initial quote. The fees should be reasonable.

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10.4.1 Factoring

Factoring is a financing technique in which you sell your accounts receivable at a discount. The buyer of your yet unpaid invoices is called a "factor". He will pay you a fixed percentage of the invoices you issued, e.g. 80%. You will be paid immediately and the factor will collect the invoice at his own risk.

Since a factor bears the risk of non-payment he will want, in all fairness, to reduce his risk of a total loss. A factor usually requires that you sell all your invoices to him - not just the clients with bad paying habits but also the prompt payers. If you want to collect on bad debtors only, attorneys, the courts, collection agencies, or bailiffs are your options.

10.4.2 Financing on Invoices Due

You often finance a client unwittingly, for instance if you allow him a payment term of 90 days. The other way around, if a supplier allows you to pay him in 90 days, he is financing you for that period. If you pay him earlier, say after 30 days, you basically give away a free loan for the remaining 60 days. Legally, you even have a few days leeway after that. Here, it pays to pay at the last moment. However, do pay in a timely manner, as any small business depends on a good relationship with its suppliers.

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11 Taxation

Most countries tax corporate entities on income and also tax the owners when the corporation pays a dividend. As for any tax filings, more and more countries are requiring businesses to file electronically.

A local accountant is familiar with the tax department you resort under. He is aware of local policies and may personally know people working there. He knows of the reputation of individual tax inspectors and auditors, which can be invaluable information when preparing or sitting through for an audit.

11.1 Income and Corporate Taxes

Which taxes you must pay depends on your choice of legal entity. If you operate as a sole proprietorship you have to file your business income as personal income. Some countries require that you work a minimum number of hours to be considered independent for tax purposes. This affects your tax deductions and credits: if you have worked less you may not qualify for certain business tax benefits.

Prepare to make estimated tax payments four times a year, and set the money you owe aside. Remember that you have to pay the employer's contribution to social security as well.

Corporate tax is paid by the legal entity through which you conduct business. Partnerships are usually taxed at the personal level. After tax there may be money left, which you can keep in the company as a reserve, for expansion, or (partly) pay out to shareholders in the form of a dividend.

Doing business as:	Sole Proprietor	Partnership	Incorporated
Income Tax	over net profit	over net profit per partner	no
Corporate tax	no	depends on structure	yes
Dividend tax	income	income	yes
VAT	yes	yes	yes

Businesses may be subject to additional business taxes such as franchise taxes, capital taxes, taxes over borrowed funds, and more. License fees exist that are in effect taxes in exchange for the privilege of doing business.

The tax authorities are aware of the tax benefits of being an independent contractor. Red flags that may trigger audits are raised when you enjoy an excessive personal income compared to your business loss, or if you have a long string of years that you operate at a loss.

11.2 Deductions

Expenses made in the ordinary course of conducting your business are deductible from taxes. Note that "tax deductible" does not mean "tax free". It merely means that the aggregate of deductions and credits can lower your taxable income. Deductions are only useful if you run a profit or if you can defer your loss to another year when you run a profit.

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You need to keep proper records of every penny you intend to deduct. Some expenses have a personal character, others are mixed and are only partly business related. For instance your home phone bill or the car you use for both work and private purposes. If you use a separate room in your house as office you may be able to deduct part of your mortgage or rent as expense. A few countries maintain strict rules about how the office should be equipped and whether or not it may be attached to or situated within in your residence.

Capital expenses and investments in items that last several years are depreciated over a period that is considered the economic life span of the item. For computers that is often 3 years. Other items include office furniture, specialised equipment, or professional books. Your accountant can inform you about the details.

Typically, the following categories of expenses can be deducted:

- Business operating expenses. This includes all common and necessary expenses needed to run your business, such as rent, supplies, telephone, as well as other services you hire.

- Business entertainment. This includes many –but not all– business meetings in restaurants or at events. Since there is often a fine line between business and private use these expenses are often subject to a maximum or other stringent criteria.

- Travel. Here, the private use of a company car or business use of a private car is a matter you need to discuss with an accountant. Long-distance travel often includes overnight stay, meals, and sometimes entertainment. If the client reimburses the costs, either by you submitting receipts or with a "per-diem" fixed daily amount, the costs are not deductible.

- Long-term assets. Some expenses can not be deducted in one year but must be amortised over a number of years, usually the economic life time of the goods.

- Premiums for insurances, such as health insurance, retirement plans, and other. Verify whether deducting premiums now results in payouts being taxed later.

- Special deductions. These are different in every country and range from a home office deduction, business starter's credits, or serve to stimulate employment and compel you to hire workers. Special deductions are usually subject to strict requirements and administrative formalities. Not every business is necessarily entitled as they may be regional or apply to certain professions or industries only. They may also depend on the legal structure of your business.

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11.3 VAT and Sales Tax

In Europe VAT is levied on almost all products and services. VAT rates are determined by the national tax authorities and are uniformly applied to all products or services of a category. In the USA sales tax is levied on most goods but usually not on services. The sales tax percentage is determined by the state tax authorities. Counties and municipalities may sometimes add a certain percentage. Consequently, sales tax may be different even within one state or region. For example, the sales tax rate in the state of New York is 4%. With local additions the effective percentage in New York City is 8.875%. Exceptions apply. Nearby, in Nassau County the total is 8.625%, in most but not all of Westchester 8.375%. In the same "tri-state area" Connecticut charges 6% and New Jersey 7% except for a few distressed areas where the rate is 5%. If you operate in the entire area you have to collect all these different rates and specify each locality separately on your tax filing.

VAT is an end-user system. The end user pays the tax; all others in the chain can get it reimbursed. As a business you can deduct the VAT you paid on every item you buy for the purpose of doing business. VAT you paid when you bought your computer, printer paper, coffee cups, toilet rolls and such can all be deducted. Needless to say that this requires some administration.

Sales tax is not an end-user tax, but a user tax. That means that as a business you cannot deduct the sales tax paid on the goods you buy for doing business. Sales tax on your computer, printer paper, coffee cups, toilet rolls and such are cost of doing business. An exception is made for goods that you resell in the normal course of your business. For instance, as a stationery store you can buy printer paper without paying sales tax to the wholeseller. However, if you are a carpenter and happen to buy a pallet of printer paper to sell it in your workshop, you are subject to sales tax because selling paper or office supplies is not within the course of your business.

Every country or state has its own requirements as to when and where to file or report these taxes. For small businesses it is usually at the end of each quarter. Be sure to verify this. High volume businesses may be required to file on a monthly basis; very small firms annually. E-commerce and international sales of goods are subject to slightly different rules.

Both VAT and sales tax administration should show how much taxes you owe at any date. Therefore you should keep track which invoices you sent and were paid, invoices you paid, your receipts, as well as private use of goods and services. You should keep all your receipts for a certain number of years. If you do business abroad you should also record what you imported from which country and exported to which country.

Very small businesses may be exempt from VAT registration and filings. If that applies to you, you should keep the relevant records nonetheless: a filing exemption does not preclude you from an audit. The benefit you gain from not having to pay VAT is subject to income tax.

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12 Survival

As an independent contractor, being a small business working on the basis of personal relationships, survival begins with integrity. Ethical behaviour is essential. Further, due to the fact that you are "doing it all by yourself", you must work efficiently. Adequate time management will prevent you from running around achieving nothing. Next, there are several general tips that can make life a lot easier.

12.1 Ethics

In your role you are sometimes coming across situations where you must determine an appropriate course. In the course of your business you have access to information that is confidential. You may come across a business opportunity that could bring you personal gain. Protect the client's best interest and protect any confidential information you have off-premises.

Stay within your role. If you are not an agent you cannot represent the client in any way, unless specifically authorised and within the scope of our assignment. On social media and on CVs, your client is not your employer. If you are hired as a subcontractor, you are working on behalf of the independent contractor who hired you. You may not approach the client and steal him away, or discuss the contract, price, scope of the work, quality, in short, anything you would not discuss if you would have been an employee. You are part of the original contractor's team, not your own.

Activities. Recommend only work that is needed, not what is only in your interest. You are not a computer salesperson selling additional warranties and insurances to increase your commission.

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Confidentiality. Your prime duty is to keep everything you learn a secret. If you don't have that ability you're in the wrong place. However, if you encounter activity that is illegal, absent legal requirements on how to act, you should follow your conscience. Gossiping about others indicates that you will gossip elsewhere about the client, too. Postings about your project on social media are a sensitive issue and should be avoided.

Conflict of interest. A conflict of interest takes place when you are involved in more than one activity and one interest could possibly affect your motivation for acting in the other. If you work or have worked for a competitor or adverse party you should disclose that. After many mergers or acquisitions former competitors may now be sister companies, or vice versa, so unless you worked on a directly competing product it is often not a big deal – but that is not up to you to decide.

Insider information. Insider trading is subject to many laws and regulations, each imposing their own –often conflicting– timelines. Avoid the appearance of suspect behaviour. Remember that an outsider with access to inside information is often the easiest scapegoat: "He's let go, the issue is resolved".

Loyalty. The company that hires you is the client; not the person who hires you or whom you report to (in partnerships that may be different!) Some situations are different, especially if you want recurring work.

Professionalism. Promise only the result you can reasonably achieve. Say no when you need to. Don't overrate yourself. Do not believe your own marketing material, press release and what not. Those are sales talk. Romantic relationships should bloom, or at least be watered, only after the project is over.

Objectivity is required for good performance of the project. Leave personal convictions at the door. If you can't do that, work only for clients that think like you do.

Promotion, marketing and sales methods have a vague boundary. You may oversell your capacities a bit, but to a limited extent. Your profession may be regulated and you may be subject to codes of ethics or professional codes.

Qualifications. Don't take the assignment if you lack the skills and qualification. You jeopardise the client, open yourself to litigation (for incompetence), and ruin your reputation in the market.

12.2 Time Management

You can't have "not enough time". Your income depends on how you use your time. Note that that is different from 'time is money'. It isn't always possible to integrate your professional life and your personal life, but there are occasions that you could.

Do not ever procrastinate. You can't afford that luxury. In left-over time perform other tasks. Make that phone call when you have half an hour in between meetings or activities.

Don't waste your time in doing things that you are not good at and that can easily be delegated. If you are not good at bookkeeping, don't start breaking numbers down into complex calculations. Leave that to your bookkeeper. He costs money indeed, but the time you invest in something productive for your business is much more rewarding.

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Once a decision has been made, move along with it. "What if …" or "Maybe I should have…" has a thousand different responses. You did have a valid reason to make the decision at the time you did. If you know you are often in doubt, write down the reasons why you made that particular decision - in bullet points, not a lengthy essay. Revisit the decision to learn, not to ponder in retrospect.

Use lists: to-do lists, priority lists, lists with targets at the end of a period, follow-up lists and reasons for that follow-up. Don't spend too much time making and formatting such lists; rather, spend a Monday morning to strategise the rest of the week and jot the priorities down. If anything comes up during the week you can add it. Don't let the lists become a goal onto themselves. If in doubt, adjust. Some days you're just bad at making phone calls. Then, don't force yourself - it won't yield any result. But do it that same afternoon or the next morning, not later. Towards the end of the week you should verify whether you accomplished your goals for each activity so that if it is needed you can still take action before Friday noon.

Plan, but prepare for the unexpected. Meetings can run late, travel can take longer. On a larger scale, if you rely on information provided by others to complete the project and that information is delayed, you will face a delay as well. As a contractor, if the plumber is a day late, you have to reschedule the electrician, and before you know it you're a week behind. In sum, never make your plans too tight.

No matter how you bill, in 6, 15, 30 or 60 minute intervals, log your actual time per minute. This is the only way that you can keep track of actual time spent on any activity. You will see that that 5 minute phone call actually lasted 14 minutes, your two-second email response 17 minutes and the letter you thought of for half an hour only 5 minutes.

Log both billable and non-billable activities. Whether you use a spreadsheet document or special time management software, you can sort activities with the click of a mouse. Eliminate time wasters.

12.4 More Tips for Survival

In any stage, be prepared for the worst situation. Think of the most difficult task you can face in a project, the reasons for rejection of an offer, or withholding of payment. Thus, if something comes up you are prepared to reason, rather than a coming up with a defensive response.

Avoid taking sides. Often, you are hired to provide an objective view or solution. Taking sides defeats the purpose and, as those sides are by nature often personal, will not result in finding a structure or policy to work with.

For the same reason avoid judging people. They are doing their work, for their own moving reasons. Certain qualifications are expected from them. There may be a corporate culture or department undertow that you are not aware of and that is not relevant to your task.

No matter how perfect you are, you will face a learning curve. Start small so that your mistakes are small and you can handle them well. Admit mistakes and correct them (at your own expense and within the promised time frame).

Every penny you spend must be rewarding. Delay expenses for unnecessary goods and delay payments within what is reasonably possible. Do not pay in advance if you don't have to, certainly not if a very low interest is charged.

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Hiring family members as independent contractors may rise questions if you do business with a larger corporation and certainly government institution. If the family member clearly and without any doubt fits the description of an independent contractor nothing is wrong, but it does not harm you if you openly disclose the situation.

Continue your marketing efforts even if you are very busy. Marketing pays off only after a while. If you neglect your marketing efforts now you will feel the pinch one year down the line. If you pick it up then the results will only follow a few months later. In the mean time you will have lost income.

Always know your financial position. You will face occasional periods that are financially dire. Make an overview of your unpaid bills, with original due dates, so that you can see how far you are behind. Also include any payments that you know will be due in the near future. Then, draft an overview of outstanding invoices and work in progress payment, with the payment term you give your clients. For each invoice add another 14 days to be on the safe side. Err on the cautious side, don't be over-optimistic but be realistic: you will rely on these numbers for a pay-off plan.

Try making arrangements with your creditors and stick to the agreement. Your credibility is at stake; whenever you face a similar situation you will find vendors less prepared to work something out if they experienced that they could not rely on you earlier.

The most important invoices to be paid aren't necessarily those of the creditors that are the most aggressive. Think of the continuity of your business and begin with the goods or service you need most. Also include small businesses –like yourself– that depend on only a few sources of income, as well as businesses with whom you want to maintain a long-term relationship. Remember that tax and social security departments insist on being paid first but often are willing to work something out.

Organise your work environment to avoid distractions. The tools you rely on should be properly maintained; nothing is worse than your printer being out of ink on Sunday night when you have to submit your report on Monday morning. Set priorities according to your efficacy. You know whether you are a morning person or an evening person. Work accordingly on priority issues or tasks that require focus.

Set time limits. Not posing time limit means going over time. Keep deadlines reasonable and meet them. Basta. Don't fight red tape but learn how to operate within set procedures.

Do not discount your rates if it is not asked for. You are worth what you cost. Discounting voluntarily is not credible and sounds desperate. If you need to discount because a client asks you to, offer less goods or services in return.

Whether a job is big or small, there is no difference as to quality. Keep in touch after the assignment or project is over. There may be new work down the line.